



## INDEPENDENT AUDITOR'S REPORT

The Honorable Stephen R. Reed, Mayor  
and Honorable Members of City Council  
City of Harrisburg, Pennsylvania

We have audited the accompanying general purpose financial statements of the City of Harrisburg, Pennsylvania, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Harrisburg, Pennsylvania (City) as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Harrisburg, Pennsylvania taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of the report and, therefore, express no opinion thereon.

*McKonly & Asbury LLP*

Harrisburg, Pennsylvania  
June 7, 2002



## CITY OF HARRISBURG, PENNSYLVANIA

## Assets and Other Debits

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**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**DECEMBER 31, 2001**

|   | Primary Government      |                 |              |                  |               |                       |                      |                        |  |                | Component Units                          |  |
|---|-------------------------|-----------------|--------------|------------------|---------------|-----------------------|----------------------|------------------------|--|----------------|--|--|
|   | Governmental Fund Types |                 |              |                  |               | Proprietary Fund Type |                      | Fiduciary Fund Types   |  |                | Account Groups                           |  |
|   | General                 | Special Revenue | Debt Service | Capital Projects | Enterprise    | Trust and Agency      | General Fixed Assets | General Long-Term Debt | Total Primary Government (Memorandum Only) | Enterprise     | Total Reporting Entity (Memorandum Only) |  |
| Liabilities, Equity and Other Credits                                       |                         |                 |              |                  |               |                       |                      |                        |  |                |  |  |
| Liabilities   |                         |                 |              |                  |               |                       |                      |                        |  |                |  |  |
| Accounts payable  | \$ 2,503,438            | \$ 858,409      | \$ -         | \$ 1,125,325     | \$ 413,561    | \$ 33,297             | \$ -                 | \$ -                   | \$ 4,934,030                               | \$ 4,473,298   | \$ 9,407,328                             |  |
| Accrued liabilities   | 1,218,082               | 92,249          | -            | -                | 574,653       | -                     | -                    | -                      | 1,884,984                                  | 1,385,191      | 3,270,175                                |  |
| Matured bond coupons payable  | -                       | -               | 20,097       | -                | -             | -                     | -                    | -                      | 20,097                                     | -              | 20,097                                   |  |
| Due to other funds  | 199,615                 | 405,068         | -            | 61,836           | 1,865,015     | 423,712               | -                    | -                      | 2,955,246                                  | -              | 2,955,246                                |  |
| Advances and amounts due to component units                                 | 2,155,580               | -               | -            | -                | 2,987,479     | -                     | -                    | -                      | 5,143,059                                  | 2,631,898      | 7,774,957                                |  |
| Due to other governments  | -                       | -               | -            | -                | -             | 307,443               | -                    | -                      | 307,443                                    | -              | 307,443                                  |  |
| Deferred revenue  | 3,821,869               | 7,610,551       | -            | -                | -             | -                     | -                    | -                      | 11,432,420                                 | 234,934        | 11,667,354                               |  |
| Current portion of bonds payable  | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | 7,860,000      | 7,860,000                                |  |
| Current portion of notes payable  | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | 98,744         | 98,744                                   |  |
| Current portion of future lease rentals payable to component unit           | -                       | -               | -            | -                | 1,859,960     | -                     | -                    | -                      | 1,859,960                                  | -              | 1,859,960                                |  |
| Liabilities payable from restricted assets                                  | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | -              | -  |  |
| Current portion of bonds payable  | -                       | -               | -            | -                | 107,037       | -                     | -                    | -                      | 107,037                                    | -              | 107,037                                  |  |
| Current portion of capitalized lease obligation                             | -                       | -               | -            | -                | 40,694        | -                     | -                    | -                      | 40,694                                     | -              | 40,694                                   |  |
| Accrued bond interest payable   | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | 980,939        | 980,939                                  |  |
| Deferred revenue  | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | 888,495        | 888,495                                  |  |
| Advances from other funds and primary government                            | -                       | 133,975         | -            | -                | 277,400       | -                     | -                    | -                      | 411,375                                    | -              | 411,375                                  |  |
| Escrow liabilities  | -                       | -               | -            | -                | -             | 314,246               | -                    | -                      | 314,246                                    | -              | 314,246                                  |  |
| Bonds payable   | -                       | -               | -            | -                | 8,334,714     | -                     | -                    | 66,136,313             | 74,471,027                                 | 260,734,346    | 335,205,373                              |  |
| Notes payable   | -                       | -               | -            | -                | -             | -                     | -                    | 36,430,133             | 36,430,133                                 | 27,622,307     | 64,052,440                               |  |
| Workers' compensation claims  | -                       | -               | -            | -                | -             | -                     | -                    | 2,027,691              | 2,027,691                                  | -              | 2,027,691                                |  |
| Capitalized lease obligations   | -                       | -               | -            | -                | 183,936       | -                     | -                    | 9,388,064              | 9,572,000                                  | -              | 9,572,000                                |  |
| Vested compensated absences   | -                       | -               | -            | -                | 528,338       | -                     | -                    | 7,396,600              | 7,924,938                                  | -              | 7,924,938                                |  |
| Deferred revenue, noncurrent  | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | 6,644,225      | 6,644,225                                |  |
| Future lease rentals payable to component unit, net of current portion      | -                       | -               | -            | -                | 10,880,745    | -                     | -                    | -                      | 10,880,745                                 | -              | 10,880,745                               |  |
| Liability for obligations to construct assets under direct financing leases | -                       | -               | -            | -                | -             | -                     | -                    | -                      | -  | 4,404,755      | 4,404,755                                |  |
| Total liabilities   | \$ 9,898,584            | \$ 9,100,252    | \$ 20,097    | \$ 1,187,161     | \$ 28,053,532 | \$ 1,078,698          | \$ -                 | \$ 121,378,801         | \$ 170,717,125                             | \$ 317,959,132 | \$ 488,676,257                           |  |

(continued)

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**DECEMBER 31, 2001**

|   | Primary Government      |                 |              |                  |               |                       |                |                      |                      |                        | Component Units                            |  |
|---|-------------------------|-----------------|--------------|------------------|---------------|-----------------------|----------------|----------------------|----------------------|------------------------|--|--|
|   | Governmental Fund Types |                 |              |                  |               | Proprietary Fund Type |                | Fiduciary Fund Types |                      |                        | Fund Type                                  |  |
|   | General                 | Special Revenue | Debt Service | Capital Projects |               | Enterprise            |                | Trust and Agency     | General Fixed Assets | General Long-Term Debt | Total Primary Government (Memorandum Only) | Total Reporting Entity (Memorandum Only) |
| <b>Liabilities, Equity and Other Credits (Cont'd)</b> |                         |                 |              |                  |               |                       |                |                      |                      |                        |  |  |
| Equity and other credits                              |                         |                 |              |                  |               |                       |                |                      |                      |                        |  |  |
| Investment in general fixed assets                    | \$ -                    | \$ -            | \$ -         | \$ -             | \$ -          | \$ 27,917,277         | \$ -           | \$ -                 | \$ 134,693,124       | \$ -                   | \$ 134,693,124                             | \$ 134,693,124                           |
| Contributed capital                                   | -                       | -               | -            | -                | -             | -                     | -              | -                    | -                    | -                      | 27,917,277                                 | 28,580,615                               |
| Retained earnings (deficit)                           | -                       | -               | -            | -                | -             | -                     | -              | -                    | -                    | -                      | -  | -  |
| Reserved  |                         |                 |              |                  |               |                       |                |                      |                      |                        |  |  |
| Workers' compensation                                 | -                       | -               | -            | -                | -             | 672,807               | -              | -                    | -                    | -                      | 672,807                                    | 672,807                                  |
| Revenue bond construction                             | -                       | -               | -            | -                | -             | 18,578,265            | -              | -                    | -                    | -                      | 18,578,265                                 | 18,578,265                               |
| Unreserved  | -                       | -               | -            | -                | -             | 2,756,343             | -              | -                    | -                    | -                      | 2,756,343                                  | (11,819,774)                             |
| Fund balances   |                         |                 |              |                  |               |                       |                |                      |                      |                        |  |  |
| Reserved  |                         |                 |              |                  |               |                       |                |                      |                      |                        |  |  |
| Advances  | 411,375                 | -               | -            | -                | -             | -                     | -              | -                    | -                    | -                      | 411,375                                    | 411,375                                  |
| Capital outlay  | 122,006                 | -               | -            | 5,464,500        | -             | -                     | -              | -                    | -                    | -                      | 5,586,506                                  | 5,586,506                                |
| Encumbrances  | 466,838                 | -               | -            | 312,312          | -             | -                     | 5,828          | -                    | -                    | -                      | 784,978                                    | 784,978                                  |
| Debt service  | -                       | -               | 457,068      | -                | -             | -                     | -              | -                    | -                    | -                      | 457,068                                    | 457,068                                  |
| Police pension benefits                               | -                       | -               | -            | -                | -             | -                     | -              | -                    | -                    | -                      | 55,690,061                                 | 55,690,061                               |
| Workers' compensation                                 | 490,853                 | -               | -            | -                | -             | 55,690,061            | -              | -                    | -                    | -                      | 490,853                                    | 490,853                                  |
| Revolving loan program                                | 2,490,950               | -               | -            | -                | -             | -                     | -              | -                    | -                    | -                      | 2,490,950                                  | 2,490,950                                |
| Unreserved  |                         |                 |              |                  |               |                       |                |                      |                      |                        |  |  |
| Undesignated  | 6,031,758               | 368,829         | -            | -                | -             | -                     | 156,185        | -                    | -                    | -                      | 6,556,772                                  | 6,556,772                                |
| Total equity and other credits                        | 10,013,780              | 368,829         | 457,068      | 5,776,812        | 49,924,692    | 55,852,074            | -              | -                    | 134,693,124          | -                      | 257,086,379                                | 243,173,600                              |
| Total liabilities, equity and other credits           | \$ 19,912,364           | \$ 9,469,081    | \$ 477,165   | \$ 6,963,973     | \$ 77,978,224 | \$ 56,930,772         | \$ 121,378,801 | \$ 134,693,124       | \$ 427,803,504       | \$ 304,046,353         | \$ 731,849,857                             | \$ 731,849,857                           |

The accompanying notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**YEAR ENDED DECEMBER 31, 2001**

|   | Primary Government      |                    |                 |                     |                        | Total<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|-----------------|---------------------|------------------------|-------------------------------|
|   | Governmental Fund Types |                    |                 |                     | Fiduciary<br>Fund Type |                               |
|   | General                 | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Expendable<br>Trust    |                               |
| Revenues  |                         |                    |                 |                     |                        |                               |
| Taxes   | \$18,984,666            | \$ -               | \$ -            | \$ -                | \$ -                   | \$ 18,984,666                 |
| Licenses and permits  | 467,488                 | -                  | -               | -                   | -                      | 467,488                       |
| Intergovernmental revenue   | 5,150,570               | 10,119,328         | -               | 1,436,592           | -                      | 16,706,490                    |
| Department earnings and program<br>revenue  | 15,498,999              | 419,784            | -               | 600,049             | 79,122                 | 16,597,954                    |
| Fines and forfeits  | 1,330,175               | -                  | -               | -                   | -                      | 1,330,175                     |
| Investment income   | 529,677                 | 367,404            | 27,958          | 52,551              | -                      | 977,590                       |
| Miscellaneous   | 3,989,560               | 4,269              | -               | -                   | -                      | 3,993,829                     |
| Total revenues  | 45,951,135              | 10,910,785         | 27,958          | 2,089,192           | 79,122                 | 59,058,192                    |
| Expenditures  |                         |                    |                 |                     |                        |                               |
| Current   |                         |                    |                 |                     |                        |                               |
| General government  | 11,625,181              | -                  | -               | 1,042,893           | 113,695                | 12,781,769                    |
| Building and housing development  | 1,018,044               | 9,716,464          | -               | -                   | -                      | 10,734,508                    |
| Public safety   | 20,354,570              | -                  | -               | -                   | -                      | 20,354,570                    |
| Public works  | 3,979,127               | 664,031            | -               | -                   | -                      | 4,643,158                     |
| Parks and recreation  | 3,410,527               | -                  | -               | -                   | -                      | 3,410,527                     |
| Capital outlay  |                         |                    |                 |                     |                        |                               |
| Infrastructure  | -                       | -                  | -               | 3,548,782           | -                      | 3,548,782                     |
| Other   | -                       | -                  | -               | 8,422,298           | -                      | 8,422,298                     |
| Debt service  |                         |                    |                 |                     |                        |                               |
| Principal retirements   | -                       | 215,000            | 7,192,674       | -                   | -                      | 7,407,674                     |
| Interest and fiscal charges   | -                       | 180,885            | 854,761         | -                   | -                      | 1,035,646                     |
| Total expenditures  | 40,387,449              | 10,776,380         | 8,047,435       | 13,013,973          | 113,695                | 72,338,932                    |
| Excess of revenues over (under)<br>expenditures                                     | 5,563,686               | 134,405            | (8,019,477)     | (10,924,781)        | (34,573)               | (13,280,740)                  |
| Other financing sources (uses)  |                         |                    |                 |                     |                        |                               |
| Proceeds from the issuance of debt  | -                       | -                  | -               | 9,559,175           | -                      | 9,559,175                     |
| Operating transfers in - component<br>unit  | -                       | -                  | -               | 2,526,764           | -                      | 2,526,764                     |
| Operating transfers in  | 1,112,595               | -                  | 7,902,254       | -                   | -                      | 9,014,849                     |
| Operating transfers out   | (8,364,712)             | (107,313)          | -               | -                   | -                      | (8,472,025)                   |
| Total other financing sources (uses)  | (7,252,117)             | (107,313)          | 7,902,254       | 12,085,939          | -                      | 12,628,763                    |
| Excess of revenues and other sources<br>over (under) expenditures and other<br>uses | (1,688,431)             | 27,092             | (117,223)       | 1,161,158           | (34,573)               | (651,977)                     |
| Fund balances - beginning of year   | 11,702,211              | 341,737            | 574,291         | 4,615,654           | 196,586                | 17,430,479                    |
| Fund balances - end of year   | \$10,013,780            | \$ 368,829         | \$ 457,068      | \$ 5,776,812        | \$ 162,013             | \$ 16,778,502                 |

The accompanying notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPE**  
**BUDGETARY (NON-GAAP) BASIS - PRIMARY GOVERNMENT**  
**YEAR ENDED DECEMBER 31, 2001**

|  | General Fund       |                    |  | Special Revenue Fund |                  |  | Debt Service Fund |                  |  |
|--|--------------------|--------------------|--|----------------------|------------------|--|-------------------|------------------|--|
|  | Revised<br>Budget  | Actual             | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget    | Actual           | Variance<br>Favorable<br>(Unfavorable) | Revised<br>Budget | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>  |                    |                    |  |                      |                  |  |                   |                  |  |
| Taxes  | \$ 18,585,598      | \$ 19,185,017      | \$ 599,419                             | \$ -                 | \$ -             | \$ -                                   | \$ -              | \$ -             | \$ -                                   |
| Licenses and permits   | 468,000            | 467,488            | (512)                                  | -                    | -                | -                                      | -                 | -                | -                                      |
| Intergovernmental revenue  | 5,972,272          | 5,150,570          | (821,702)                              | 775,143              | 777,638          | 2,495                                  | -                 | -                | -                                      |
| Departmental earnings  | 15,316,908         | 13,569,974         | (1,746,934)                            | -                    | -                | -                                      | -                 | -                | -                                      |
| Fines and forfeits   | 1,340,000          | 1,300,234          | (39,766)                               | -                    | -                | -                                      | -                 | -                | -                                      |
| Investment income  | 174,625            | 245,298            | 70,673                                 | 27,000               | 20,781           | (6,219)                                | 17,200            | 23,886           | 6,686                                  |
| Miscellaneous  | 1,012,391          | 3,972,479          | 2,960,088                              | -                    | -                | -                                      | -                 | -                | -                                      |
| <b>Total revenues</b>  | <b>42,869,794</b>  | <b>43,891,060</b>  | <b>1,021,266</b>                       | <b>802,143</b>       | <b>798,419</b>   | <b>(3,724)</b>                         | <b>17,200</b>     | <b>23,886</b>    | <b>6,686</b>                           |
| <b>Expenditures</b>  |                    |                    |  |                      |                  |  |                   |                  |  |
| General government   |                    |                    |  |                      |                  |  |                   |                  |  |
| Elected and appointed offices  |                    |                    |  |                      |                  |  |                   |                  |  |
| City Council   | 345,034            | 337,512            | 7,522                                  | -                    | -                | -                                      | -                 | -                | -                                      |
| Mayor  | 447,592            | 436,766            | 10,826                                 | -                    | -                | -                                      | -                 | -                | -                                      |
| City Controller  | 203,888            | 199,517            | 4,371                                  | -                    | -                | -                                      | -                 | -                | -                                      |
| City Treasurer   | 538,118            | 530,419            | 7,699                                  | -                    | -                | -                                      | -                 | -                | -                                      |
| City Solicitor   | 376,083            | 353,113            | 22,970                                 | -                    | -                | -                                      | -                 | -                | -                                      |
| Office of City Engineer  | 1,881,901          | 1,781,918          | 99,983                                 | -                    | -                | -                                      | -                 | -                | -                                      |
| Human Relations Commission   | 167,389            | 161,773            | 5,616                                  | -                    | -                | -                                      | -                 | -                | -                                      |
| Mayor's Office of Economic Development   | 238,524            | 218,906            | 19,618                                 | -                    | -                | -                                      | -                 | -                | -                                      |
| <b>Total elected and appointed offices</b>   | <b>4,198,529</b>   | <b>4,019,924</b>   | <b>178,605</b>                         | <b>-</b>             | <b>-</b>         | <b>-</b>                               | <b>-</b>          | <b>-</b>         | <b>-</b>                               |
| Office of administration   |                    |                    |  |                      |                  |  |                   |                  |  |
| Administration   | 4,494,342          | 4,367,164          | 127,178                                | -                    | -                | -                                      | -                 | -                | -                                      |
| General expenditures   | 3,676,637          | 3,453,559          | 223,078                                | -                    | -                | -                                      | -                 | -                | -                                      |
| <b>Total general government</b>  | <b>12,369,508</b>  | <b>11,840,647</b>  | <b>528,861</b>                         | <b>-</b>             | <b>-</b>         | <b>-</b>                               | <b>-</b>          | <b>-</b>         | <b>-</b>                               |
| Building and housing development   | 1,019,895          | 997,394            | 22,501                                 | -                    | -                | -                                      | -                 | -                | -                                      |
| Public safety  | 19,778,378         | 20,190,167         | (411,789)                              | -                    | -                | -                                      | -                 | -                | -                                      |
| Public works   | 4,058,952          | 3,977,866          | 81,086                                 | 757,470              | 663,143          | 94,327                                 | -                 | -                | -                                      |
| Parks and recreation   | 2,990,045          | 2,900,860          | 89,185                                 | -                    | -                | -                                      | -                 | -                | -                                      |
| Debt service   | -                  | -                  | -                                      | -                    | -                | -                                      | 8,761,964         | 8,667,075        | 94,889                                 |
| <b>Total expenditures</b>  | <b>40,216,778</b>  | <b>39,906,934</b>  | <b>309,844</b>                         | <b>757,470</b>       | <b>663,143</b>   | <b>94,327</b>                          | <b>8,761,964</b>  | <b>8,667,075</b> | <b>94,889</b>                          |
| Excess of revenues over (under) expenditures before other financing sources (uses) | 2,653,016          | 3,984,126          | 1,331,110                              | 44,673               | 135,276          | 90,603                                 | (8,744,764)       | (8,643,189)      | 101,575                                |
| Other financing sources (uses)   |                    |                    |  |                      |                  |  |                   |                  |  |
| Operating transfers in   | 1,112,595          | 1,112,595          | -                                      | -                    | -                | -                                      | 8,606,722         | 8,522,025        | (84,697)                               |
| Operating transfers out  | (8,369,310)        | (8,364,712)        | 4,598                                  | (165,513)            | (107,313)        | 58,200                                 | -                 | -                | -                                      |
| <b>Total other financing sources (uses)</b>  | <b>(7,256,715)</b> | <b>(7,252,117)</b> | <b>4,598</b>                           | <b>(165,513)</b>     | <b>(107,313)</b> | <b>58,200</b>                          | <b>8,606,722</b>  | <b>8,522,025</b> | <b>(84,697)</b>                        |
| Excess of revenues and other sources over (under) expenditures and other uses      | (4,603,699)        | (3,267,991)        | 1,335,708                              | (120,840)            | 27,963           | 148,803                                | (138,042)         | (121,164)        | 16,878                                 |
| Fund balances - beginning of year, budgetary basis (restated)                      | 4,603,699          | 7,766,714          | 3,163,015                              | 120,840              | 309,815          | 188,975                                | 138,042           | 574,291          | 436,249                                |
| Fund balances - end of year, budgetary basis                                       | \$ -               | \$ 4,498,723       | \$ 4,498,723                           | \$ -                 | \$ 337,778       | \$ 337,778                             | \$ -              | \$ 453,127       | \$ 453,127                             |

The accompanying notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -**  
**ALL PROPRIETARY FUND TYPES**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2001**

|  | Primary<br>Government<br>Proprietary<br>Fund Type<br>Enterprise | Component<br>Units<br>Proprietary<br>Fund Type<br>Enterprise | Total<br>Reporting<br>Entity<br>(Memorandum<br>Only) |
|--|---|--|--|
| Operating revenues   |   |  |  |
| Charges for services   | \$ 14,899,746   | \$ 32,076,594  | \$ 46,976,340  |
| Operating expenses   |   |  |  |
| Salaries and wages   | 3,168,109   | 6,206,350  | 9,374,459  |
| Fringe benefits  | 744,226   | 967,098  | 1,711,324  |
| Communications   | 29,306  | 100,259  | 129,565  |
| Professional fees  | 190,787   | 697,881  | 888,668  |
| Utilities  | 1,555,931   | 1,435,590  | 2,991,521  |
| Insurance  | 138,110   | 508,857  | 646,967  |
| Equipment rentals  | -   | 356,351  | 356,351  |
| Maintenance and repairs  | 368,508   | 1,543,941  | 1,912,449  |
| Contracted services  | 4,995,773   | 6,501,398  | 11,497,171   |
| Supplies   | 524,896   | 841,310  | 1,366,206  |
| Real estate taxes  | -   | 252,350  | 252,350  |
| Depreciation and amortization  | 1,992,875   | 4,528,493  | 6,521,368  |
| Other expenses   | 21,443  | 3,016,451  | 3,037,894  |
| Landfill closure and postclosure care expense                          | -   | 84,618   | 84,618   |
| Total operating expenses   | 13,729,964  | 27,040,947   | 40,770,911   |
| Operating income   | 1,169,782   | 5,035,647  | 6,205,429  |
| Nonoperating revenues (expenses)                                       |   |  |  |
| Intergovernmental grants   | 372,710   | 250,928  | 623,638  |
| Investment income  | 255,889   | 5,315,414  | 5,571,303  |
| Lease rental income  | -   | 1,178,097  | 1,178,097  |
| Gain on sale of fixed assets   | -   | 3,470,756  | 3,470,756  |
| Miscellaneous expense  | -   | (16,923)   | (16,923)   |
| Interest expense   | (1,881,476)   | (18,152,014)   | (20,033,490)   |
| Amortization of bond discount and issuance costs<br>and franchise fees | (353,352)   | (988,381)  | (1,341,733)  |
| Total nonoperating revenues (expenses)                                 | (1,606,229)   | (8,942,123)  | (10,548,352)   |
| Income (loss) before operating transfers                               | (436,447)   | (3,906,476)  | (4,342,923)  |
| Transfers in - primary government                                      | 569,771   | -  | 569,771  |
| Transfers out - primary government                                     | (1,112,595)   | (2,526,764)  | (3,639,359)  |
| Transfers in - component unit  | -   | (5,600,871)  | (5,600,871)  |
| Transfers out - component unit   | -   | 5,600,871  | 5,600,871  |
| Net income (loss)  | (979,271)   | (6,433,240)  | (7,412,511)  |
| Retained earnings (deficit) (as restated) - beginning of year          | 22,986,686  | (8,142,877)  | 14,843,809   |
| Retained earnings (deficit) - end of year                              | \$ 22,007,415   | \$ (14,576,117)  | \$ 7,431,298   |

The accompany notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2001**

|  | Primary<br>Government<br>Proprietary<br>Fund Type<br>Enterprise | Component<br>Units<br>Proprietary<br>Fund Type<br>Enterprise | Total<br>Reporting<br>Entity<br>(Memorandum<br>Only) |
|--|---|--|--|
| Cash flows from operating activities   |   |  |  |
| Operating income   | \$ 1,169,782  | \$ 5,035,647   | \$ 6,205,429   |
| Adjustments to reconcile operating income to net cash provided by operating activities |   |  |  |
| Depreciation   | 1,992,875   | 4,528,493  | 6,521,368  |
| Amortization   | -   | 118,750  | 118,750  |
| Loss on disposal of fixed assets   | 3,731   | -  | 3,731  |
| Provisions for uncollectible accounts  | (607,815)   | -  | (607,815)  |
| Miscellaneous nonoperating expense   | -   | 525,054  | 525,054  |
| Changes in assets and liabilities  |   |  |  |
| Accounts receivable  | 759,744   | (1,451,431)  | (691,687)  |
| Other receivable   | (15)  | -  | (15)   |
| Due from primary government  | -   | (20,300)   | (20,300)   |
| Prepaid expenses and other assets  | 168,888   | (2,402)  | 166,486  |
| Vested compensated absences  | 26,929  | -  | 26,929   |
| Accounts payable and other accrued expenses  | 34,306  | 1,966,370  | 2,000,676  |
| Deferred revenue   | -   | 12,649   | 12,649   |
| Net cash provided by operating activities  | 3,548,425   | 10,712,830   | 14,261,255   |
| Cash flows from noncapital financing activities  |   |  |  |
| Operating transfers in   | 569,771   | -  | 569,771  |
| Operating transfers out  | (1,112,595)   | -  | (1,112,595)  |
| Intergovernmental revenue  | 272,593   | -  | 272,593  |
| Increase in advances from other funds  | 332,244   | -  | 332,244  |
| Net cash provided by noncapital financing activities                                   | 62,013  | -  | 62,013   |
| Cash flows from capital and related financing activities                               |   |  |  |
| Acquisition and construction of capital assets   | (89,738)  | (34,652,892)   | (34,742,630)   |
| Principal paid on leases, bonds and notes  | (2,808,839)   | (28,000,298)   | (30,809,137)   |
| Interest paid  | (617,341)   | (10,299,860)   | (10,917,201)   |
| Cash paid to bond escrow agent   | -   | (28,626,025)   | (28,626,025)   |
| Cash payments to component unit  | -   | (5,653,071)  | (5,653,071)  |
| Cash payments from component unit  | -   | 5,600,871  | 5,600,871  |
| Proceeds from issuance of bonds and notes  | -   | 59,736,874   | 59,736,874   |
| Proceeds from sale of fixed assets   | -   | 19,802,217   | 19,802,217   |
| Payments of deferred financing costs   | -   | (1,965,274)  | (1,965,274)  |
| Distribution to primary government   | -   | (2,526,764)  | (2,526,764)  |
| Advances to primary government   | -   | 138,313  | 138,313  |
| Intergovernmental grants   | -   | 250,928  | 250,928  |
| Increase in obligation to construct asset under direct financing lease                 | -   | (1,181,515)  | (1,181,515)  |
| Net cash used in capital and related financing activities                              | (3,515,918)   | (27,376,496)   | (30,892,414)   |
| Cash flows from investing activities   |   |  |  |
| Cash paid for management and operating rights  | -   | (750,000)  | (750,000)  |
| Purchase of investment securities  | -   | (14,036,983)   | (14,036,983)   |
| Proceeds from sale and maturities of investment securities                             | -   | 24,552,588   | 24,552,588   |
| Change in investment in direct financing leases  | -   | 2,501,813  | 2,501,813  |
| Interest on investments  | 255,889   | 4,978,145  | 5,234,034  |
| Decrease in deferred revenue   | -   | (655,665)  | (655,665)  |
| Net cash provided by investing activities  | 255,889   | 16,589,898   | 16,845,787   |
| Net increase (decrease) in cash and cash equivalents                                   | 350,409   | (73,768)   | 276,641  |
| Cash and cash equivalents (including restricted assets) - beginning of year            | 6,354,069   | 49,314,482   | 55,668,551   |
| Cash and cash equivalents (including restricted assets) - end of year                  | \$ 6,704,478  | \$ 49,240,714  | \$ 55,945,192  |
| Noncash investing, capital and financing activities                                    |   |  |  |
| Amortization of deferred bond issuance costs and bond discount and franchise fee       | \$ 353,352  | \$ -   | \$ 353,352   |
| Construction-in-progress paid by The Harrisburg Authority on behalf of the Sewer Fund  | \$ 1,181,515  | \$ -   | \$ 1,181,515   |
| Proceeds from capital lease obligations  | \$ 224,630  | \$ -   | \$ 224,630   |
| Acquisition of equipment through capital lease obligations                             | \$ 224,630  | \$ -   | \$ 224,630   |

The accompanying notes are an integral part of the general purpose financial statements.



**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS - POLICE PENSION TRUST FUND**  
**YEAR ENDED DECEMBER 31, 2001**

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Additions

Contributions

|                        |                |
|------------------------|----------------|
| State contributions    | \$ 310,040     |
| Employee contributions | <u>448,246</u> |

|                     |                |
|---------------------|----------------|
| Total contributions | <u>758,286</u> |
|---------------------|----------------|

Investment income

|   |                    |
|---|--------------------|
| Interest and dividend income                  | 3,379,308          |
| Net depreciation in fair value of investments | <u>(3,143,381)</u> |

235,927

|                         |                  |
|-------------------------|------------------|
| Less investment expense | <u>(131,581)</u> |
|-------------------------|------------------|

|                       |                |
|-----------------------|----------------|
| Net investment income | <u>104,346</u> |
|-----------------------|----------------|

|                 |                |
|-----------------|----------------|
| Total additions | <u>862,632</u> |
|-----------------|----------------|

Deductions

|                         |               |
|-------------------------|---------------|
| Pension benefits        | 2,274,878     |
| Administrative expenses | <u>87,163</u> |

|                  |                  |
|------------------|------------------|
| Total deductions | <u>2,362,041</u> |
|------------------|------------------|

|              |             |
|--------------|-------------|
| Net decrease | (1,499,409) |
|--------------|-------------|

Net assets held in trust for pension benefits -  
January 1

57,189,470

Net assets held in trust for pension benefits -  
December 31

\$ 55,690,061

The accompanying notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**DESCRIPTION OF FUND**  
**ENTERPRISE FUND – COMPONENT UNITS**

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**The Harrisburg Authority**

The Harrisburg Authority Component Unit is used to account for the revenues and expenses associated with providing water service to residents and commercial and industrial establishments of the City and several surrounding municipalities; providing municipal solid waste disposal, subsequent sale of incinerator generated steam to local utility and the production of electricity for in-house use and sale to a public utility; and the maintenance and rental of a parking garage and office complex.

**Harrisburg Parking Authority**

The Harrisburg Parking Authority Component Unit is used to account for the revenues and expenses associated with the ownership and operation of seven parking garages containing approximately 6,000 spaces in the central business district of the City, in addition to funds it receives from on-street parking meter charges and two open lots.

**Coordinated Parking Fund**

The Coordinated Parking Fund Component Unit is used to account for the net operating revenues from the components of the coordinated parking system. The components of the coordinated parking system include six parking garages owned by HPA, two of the City's surface lots and the City's parking meters. The Fund is pledged as security for the debt service payments of the Harrisburg Parking Authority Series F bonds and is currently used to make the debt service payments for such bonds. The fund may also be used to reimburse certain of the Harrisburg Parking Authority garages for below market rentals to certain lessors, and, if any excess is available, to distribute such amount to the City.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - ENTERPRISE FUNDS - COMPONENT UNITS**  
**DECEMBER 31, 2001**

|  | The<br>Harrisburg<br>Authority | Harrisburg<br>Parking<br>Authority | Coordinated<br>Parking<br>Fund | Total<br>Component<br>Units |
|--|--------------------------------|------------------------------------|--------------------------------|-----------------------------|
| <b>ASSETS</b>  |                                |                                    |                                |                             |
| Current assets   |                                |                                    |                                |                             |
| Cash   | \$ 6,558,049                   | \$ 1,688,394                       | \$ -                           | \$ 8,246,443                |
| Investments, at fair value   | -                              | 2,541,363                          | 3,252,828                      | 5,794,191                   |
| Accounts receivable, net of allowance<br>for uncollectible accounts            | 4,569,085                      | 131,203                            | -                              | 4,700,288                   |
| Advances and amounts due from primary government                               | 4,951,230                      | -                                  | 191,829                        | 5,143,059                   |
| Advances and amounts due from component unit                                   | -                              | 846,554                            | -                              | 846,554                     |
| Prepaid expenses and other assets  | -                              | 147,574                            | -                              | 147,574                     |
| Total current assets   | 16,078,364                     | 5,355,088                          | 3,444,657                      | 24,878,109                  |
| Restricted assets  |                                |                                    |                                |                             |
| Cash with fiscal agents  | 34,145,515                     | 6,848,756                          | -                              | 40,994,271                  |
| Investments  | 29,680,096                     | 6,272,079                          | -                              | 35,952,175                  |
| Accrued interest receivable  | 41,809                         | -                                  | 26,211                         | 68,020                      |
| Total restricted assets  | 63,867,420                     | 13,120,835                         | 26,211                         | 77,014,466                  |
| Future lease rentals receivable from primary government                        | 12,740,705                     | -                                  | -                              | 12,740,705                  |
| Fixed assets, less accumulated depreciation                                    | 109,943,965                    | 65,420,092                         | -                              | 175,364,057                 |
| Deferred charges, net of amortization  | 8,248,962                      | 5,743,324                          | -                              | 13,992,286                  |
| Other noncurrent assets  | -                              | 56,730                             | -                              | 56,730                      |
| Total assets   | \$ 210,879,416                 | \$ 89,696,069                      | \$ 3,470,868                   | \$ 304,046,353              |
| <b>LIABILITIES AND FUND EQUITY</b>   |                                |                                    |                                |                             |
| Current liabilities, payable from current assets                               |                                |                                    |                                |                             |
| Accounts payable and accrued liabilities                                       | \$ 3,498,157                   | \$ 972,692                         | \$ 2,449                       | \$ 4,473,298                |
| Advances and amounts due to primary government                                 | 1,785,344                      | -                                  | -                              | 1,785,344                   |
| Advances and amounts due to component unit                                     | -                              | -                                  | 846,554                        | 846,554                     |
| Deferred revenue   | -                              | 234,934                            | -                              | 234,934                     |
| Current portion of bonds payable   | 6,385,000                      | 1,475,000                          | -                              | 7,860,000                   |
| Current portion of notes payable   | 98,744                         | -                                  | -                              | 98,744                      |
| Total current liabilities, (payable from current<br>assets)                    | 11,767,245                     | 2,682,626                          | 849,003                        | 15,298,874                  |
| Current liabilities, payable from restricted assets                            |                                |                                    |                                |                             |
| Accrued bond interest payable  | -                              | 980,939                            | -                              | 980,939                     |
| Deferred revenue   | -                              | 888,495                            | -                              | 888,495                     |
| Total current liabilities, (payable from<br>restricted assets)                 | -                              | 1,869,434                          | -                              | 1,869,434                   |
| Noncurrent liabilities   |                                |                                    |                                |                             |
| Revenue bonds payable, net of discount   | 173,894,633                    | 86,839,713                         | -                              | 260,734,346                 |
| Revenue notes payable, net of discount   | 27,622,307                     | -                                  | -                              | 27,622,307                  |
| Deferred revenue   | 6,213,386                      | 430,839                            | -                              | 6,644,225                   |
| Liability for obligations to construct<br>assets under direct financing leases | 4,404,755                      | -                                  | -                              | 4,404,755                   |
| Accrued landfill closure and postclosure<br>care liability                     | 1,385,191                      | -                                  | -                              | 1,385,191                   |
| Total liabilities  | 225,287,517                    | 91,822,612                         | 849,003                        | 317,959,132                 |
| Fund equity (deficit)  |                                |                                    |                                |                             |
| Contributed capital  | -                              | 663,338                            | -                              | 663,338                     |
| Retained earnings (deficit)  |                                |                                    |                                |                             |
| Unreserved   | (14,408,101)                   | (2,789,881)                        | 2,621,865                      | (14,576,117)                |
| Total fund equity (deficit)  | (14,408,101)                   | (2,126,543)                        | 2,621,865                      | (13,912,779)                |
| Total liabilities and fund equity (deficit)                                    | \$ 210,879,416                 | \$ 89,696,069                      | \$ 3,470,868                   | \$ 304,046,353              |

The accompanying notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS (DEFICIT) - ENTERPRISE FUNDS - COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2001**

|  | The<br>Harrisburg<br>Authority | Harrisburg<br>Parking<br>Authority | Coordinated<br>Parking<br>Fund | Total<br>Component<br>Units |
|--|--------------------------------|------------------------------------|--------------------------------|-----------------------------|
| Operating revenues   |                                |                                    |                                |                             |
| Charges for services   | \$ 23,582,082                  | \$ 7,750,975                       | \$ 743,537                     | \$ 32,076,594               |
| Operating expenses   |                                |                                    |                                |                             |
| Salaries and wages   | 4,620,399                      | 1,585,951                          | -                              | 6,206,350                   |
| Fringe benefits  | 967,098                        | -                                  | -                              | 967,098                     |
| Communications   | 100,259                        | -                                  | -                              | 100,259                     |
| Professional fees  | 590,791                        | 107,090                            | -                              | 697,881                     |
| Utilities  | 1,120,628                      | 314,962                            | -                              | 1,435,590                   |
| Insurance  | 398,368                        | 110,489                            | -                              | 508,857                     |
| Equipment rentals  | 236,786                        | 119,565                            | -                              | 356,351                     |
| Maintenance and repairs  | 1,197,412                      | 346,529                            | -                              | 1,543,941                   |
| Contract services  | 6,501,398                      | -                                  | -                              | 6,501,398                   |
| Supplies   | 841,310                        | -                                  | -                              | 841,310                     |
| Real estate taxes  | 184,040                        | 68,310                             | -                              | 252,350                     |
| Depreciation and amortization                                    | 3,109,453                      | 1,419,040                          | -                              | 4,528,493                   |
| Other expenses   | 564,221                        | 220,022                            | 2,232,208                      | 3,016,451                   |
| Landfill closure and postclosure care expense                    | 84,618                         | -                                  | -                              | 84,618                      |
| Total operating expenses   | 20,516,781                     | 4,291,958                          | 2,232,208                      | 27,040,947                  |
| Operating income (loss)  | 3,065,301                      | 3,459,017                          | (1,488,671)                    | 5,035,647                   |
| Nonoperating revenue (expenses)                                  |                                |                                    |                                |                             |
| Intergovernmental grants   | 250,928                        | -                                  | -                              | 250,928                     |
| Investment income  | 3,805,859                      | 1,379,693                          | 129,862                        | 5,315,414                   |
| Lease rental income  | 1,178,097                      | -                                  | -                              | 1,178,097                   |
| Gain (loss) on sale of fixed assets                              | 3,473,564                      | (2,808)                            | -                              | 3,470,756                   |
| Miscellaneous  | (16,923)                       | -                                  | -                              | (16,923)                    |
| Interest expense   | (15,228,902)                   | (2,923,112)                        | -                              | (18,152,014)                |
| Amortization of bond issuance costs                              | (988,381)                      | -                                  | -                              | (988,381)                   |
| Total nonoperating revenue (expenses)                            | (7,525,758)                    | (1,546,227)                        | 129,862                        | (8,942,123)                 |
| Income (loss) before transfers                                   | (4,460,457)                    | 1,912,790                          | (1,358,809)                    | (3,906,476)                 |
| Transfers out - primary government                               | (2,526,764)                    | -                                  | -                              | (2,526,764)                 |
| Transfers out - component units                                  | -                              | (3,597,177)                        | (2,003,694)                    | (5,600,871)                 |
| Transfers in - component units                                   | -                              | 2,003,694                          | 3,597,177                      | 5,600,871                   |
| Net income (loss)  | (6,987,221)                    | 319,307                            | 234,674                        | (6,433,240)                 |
| Retained earnings (deficit) (as restated) -<br>beginning of year | (7,420,880)                    | (3,109,188)                        | 2,387,191                      | (8,142,877)                 |
| Retained earnings (deficit) - end of year                        | \$ (14,408,101)                | \$ (2,789,881)                     | \$ 2,621,865                   | \$ (14,576,117)             |

The accompanying notes are an integral part of the general purpose financial statements.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS - COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2001**

|   | The<br>Harrisburg<br>Authority | Harrisburg<br>Parking<br>Authority | Coordinated<br>Parking<br>Fund | Total<br>Component<br>Units |
|---|--------------------------------|------------------------------------|--------------------------------|-----------------------------|
| Cash flows from operating activities  |                                |                                    |                                |                             |
| Operating income (loss)   | \$ 3,065,301                   | \$ 3,459,017                       | \$ (1,488,671)                 | \$ 5,035,647                |
| Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities |                                |                                    |                                |                             |
| Depreciation  | 3,109,453                      | 1,419,040                          | -                              | 4,528,493                   |
| Amortization  | -                              | 118,750                            | -                              | 118,750                     |
| Miscellaneous nonoperating expense  | 525,054                        | -                                  | -                              | 525,054                     |
| Changes in assets and liabilities   |                                |                                    |                                |                             |
| Accounts receivable   | (1,428,468)                    | (22,963)                           | -                              | (1,451,431)                 |
| Prepaid expenses and other assets   | -                              | (2,402)                            | -                              | (2,402)                     |
| Accounts payable and other accrued cost   | 1,878,109                      | 87,935                             | 326                            | 1,966,370                   |
| Due from primary government   | -                              | -                                  | (20,300)                       | (20,300)                    |
| Due to component unit   | -                              | (846,554)                          | 846,554                        | -                           |
| Deferred revenue  | -                              | 12,649                             | -                              | 12,649                      |
| Net cash provided by (used in) operating activities   | 7,149,449                      | 4,225,472                          | (662,091)                      | 10,712,830                  |
| Cash flows from capital and related financing activities  |                                |                                    |                                |                             |
| Acquisition and construction of capital assets  | (7,572,235)                    | (27,080,657)                       | -                              | (34,652,892)                |
| Principal paid on bond maturities   | (26,600,298)                   | (1,400,000)                        | -                              | (28,000,298)                |
| Interest paid   | (6,737,671)                    | (3,562,189)                        | -                              | (10,299,860)                |
| Cash paid to bond escrow agent  | -                              | (28,626,025)                       | -                              | (28,626,025)                |
| Cash payments to component unit   | -                              | (3,649,377)                        | (2,003,694)                    | (5,653,071)                 |
| Cash payments from component unit   | -                              | 2,003,694                          | 3,597,177                      | 5,600,871                   |
| Proceeds from issuance of bonds and notes   | 7,400,000                      | 52,336,874                         | -                              | 59,736,874                  |
| Proceeds from sale of fixed assets  | 19,740,000                     | 62,217                             | -                              | 19,802,217                  |
| Payments of deferred financing costs  | (425,855)                      | (1,539,419)                        | -                              | (1,965,274)                 |
| Distribution to primary government  | (2,526,764)                    | -                                  | -                              | (2,526,764)                 |
| Advances to the primary government  | 138,313                        | -                                  | -                              | 138,313                     |
| Intergovernmental grants  | 250,928                        | -                                  | -                              | 250,928                     |
| Increase in obligation to construct assets under direct financing lease                             | (1,181,515)                    | -                                  | -                              | (1,181,515)                 |
| Net cash provided by (used in) capital and related financing activities                             | (17,515,097)                   | (11,454,882)                       | 1,593,483                      | (27,376,496)                |
| Cash flows from investing activities  |                                |                                    |                                |                             |
| Cash paid for management and operating rights   | -                              | (750,000)                          | -                              | (750,000)                   |
| Purchase of investment securities   | 10,961,940                     | (23,395,846)                       | (1,603,077)                    | (14,036,983)                |
| Proceeds from sale and maturities of investment securities  | -                              | 24,552,588                         | -                              | 24,552,588                  |
| Change in investment in direct financing leases   | 2,501,813                      | -                                  | -                              | 2,501,813                   |
| Interest on investments   | 3,842,466                      | 1,020,410                          | 115,269                        | 4,978,145                   |
| Decrease in deferred revenue  | (655,665)                      | -                                  | -                              | (655,665)                   |
| Net cash provided by (used in) investing activities   | 16,650,554                     | 1,427,152                          | (1,487,808)                    | 16,589,898                  |
| Net increase (decrease) in cash and cash equivalents  | 6,284,906                      | (5,802,258)                        | (556,416)                      | (73,768)                    |
| Cash and cash equivalents (including restricted assets) - beginning of year                         | 34,418,658                     | 14,339,408                         | 556,416                        | 49,314,482                  |
| Cash and cash equivalents (including restricted assets) - end of year                               | \$ 40,703,564                  | \$ 8,537,150                       | \$ -                           | \$ 49,240,714               |

The accompanying notes are an integral part of the general purpose financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrisburg, Pennsylvania (the City) was founded by John Harris II in 1785, established as a borough in 1791 and incorporated as a City on March 19, 1860. The City operates as a Mayor-Council form of government and provides all municipal services to its residents.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

### A. *Reporting Entity*

The City used guidance contained in Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity. The criteria used by the City for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the City reviews the applicability of the following criteria. The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City as defined below:
  - **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
  - **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and account groups for which the City is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the City's financial statements are provided in the following paragraphs. Separately published audit reports of the component units and joint venture are available for public inspection in the City's Finance Office.

*Blended Component Units*

Some component units, despite being legally separate from the primary government (City), are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component unit reported in this way is the City of Harrisburg Leasing Authority.

**City of Harrisburg Leasing Authority**

The City of Harrisburg Leasing Authority was formed pursuant to the Municipal Authority Act in 1986 for the purpose of acquiring and leasing facilities and equipment to the City. The five-member Board of Directors is appointed by the Mayor. The Authority's only financial transaction is the financing of City projects. The Authority publishes a separate financial statement and is accounted for in the debt service and enterprise funds of the City's financial statements.

*Discretely Presented Component Units*

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this way are the following:

- The Harrisburg Authority
- Harrisburg Parking Authority
- Coordinated Parking Fund

**The Harrisburg Authority**

The Harrisburg Authority was incorporated in 1957 under the provisions of the Municipal Authority Act. The entire five-member Board is appointed by the Mayor. The Authority has purchased the water system and incinerator facility from the City and contracts with the City to manage the facilities. The contracts require that the Mayor prepare an operating expenses budget for adoption by the City Council, with final approval by the Authority with the inclusion of such operating expenses in the Authority's annual budget. The Authority incurred \$16,050,354 in expenses under these agreements in 2001. Additionally, the Authority has agreed to adopt rates sufficient to pay the operating expenses budget, as approved, plus administrative and debt service expenses. The Authority also has financed the sewer system for the City with a lease revenue bond transaction for which the City pledged all sewer system revenues to secure the Authority's bonds.

**Harrisburg Parking Authority**

The Harrisburg Parking Authority (Authority) was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. The five-member Board of Directors is appointed by the Mayor and members can be removed from the Board at will. The Authority owns and operates seven parking garages containing approximately 6,000 spaces in the central business district of the City. In addition to parking charges, the Authority receives funds from on-street parking meter charges and two open lots. The City receives the benefit of excess parking revenues through a Cooperation Agreement with the Authority and the City has guaranteed all of the Authority's outstanding debt.

**Coordinated Parking Fund**

The Coordinated Parking Fund (Fund) was established in 1984 through a Cooperation Agreement for the Downtown Coordinated Parking System entered into by the City of Harrisburg, The Harrisburg Redevelopment Authority, Harristown Development Corporation, Harrisburg Parking Authority, The Mayor of Harrisburg and the Harrisburg City Council. The Harrisburg Parking Authority board administers the fund on behalf of the City. The Fund is pledged as security for the debt service payments of the Harrisburg Parking Authority Series F bonds and is currently used to make the debt service payments for such bonds. The fund may also be used to reimburse certain of the Harrisburg Parking Authority garages for below market rentals to certain lessors, and, if any excess is available, to distribute such amount to the City.

*Potential Component Units Excluded*

**City of Harrisburg Housing Authority (Housing Authority)**

The Housing Authority was established in 1937 pursuant to the Housing Authorities Law to promote the availability of safe and sanitary dwelling accommodations at affordable rents to families of low income. The Housing Authority is administered by a five-member Board, all of whom are appointed by the Mayor.

The Housing Authority operates low rent subsidized housing projects established within the City. The Housing Authority manages the acquisition of federal and state funds for the construction of and/or improvements to low income properties and reviews programs with the landlords to ensure compliance with various rules and regulations. The City has no financial accountability over the Housing Authority's operations.

The Housing Authority operates and reports on a calendar year.

**Harrisburg Redevelopment Authority (Redevelopment Authority)**

The Redevelopment Authority was established in 1949 pursuant to the Urban Redevelopment Act of 1945 (Public Law – 991). The Redevelopment Authority is administered by a five-member Board, all of whom are appointed by the Mayor. The Redevelopment Authority provides a broad range of urban renewal and maintenance programs within the City. The Redevelopment Authority also coordinates efforts to improve the economic vitality, the housing stock and overall living conditions within the City. The City does guarantee some debt of the Redevelopment Authority projects, but there is no indication of financial accountability.

The Redevelopment Authority reports on a fiscal year ending June 30.

**Harristown Development Corporation (HDC)**

The Harristown Development Corporation was incorporated under the Nonprofit Corporation Law of Pennsylvania in 1974, and owns and operates several facilities within the City. HDC is governed by a 17-member Board of Directors selected by a nominating committee of the Board. City officials do not serve on the Board or nominating committee. The City does guarantee the debt of an HDC project, but there is no indication of financial accountability.

The HDC operates and reports on a calendar year.



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**Harrisburg School District**

In May 2000, the General Assembly of the Commonwealth passed Act 16 of 2000, entitled the Education Empowerment Act ("Act 16"), which was signed by the Governor. Soon after passage of the Act, the School District filed a legal challenge to Act 16 as it relates to the Mayor's control of the Harrisburg school and requested immediate injunctive relief from the Commonwealth Court of Pennsylvania. While Act 16 legal proceedings were pending, in November 2000, the General Assembly of the Commonwealth passed Act 91 of 2000, amending the Education Empowerment Act ("Act 91"), which was signed by the Governor. Soon after passage of Act 91, the School District filed a legal challenge as it relates to the Mayor's control of the Harrisburg schools and requested immediate injunctive relief. On December 15, 2000, the Commonwealth Court of Pennsylvania denied the injunction, thus permitting the implementation of Act 91. Act 91 directed the Mayor of the City to assume control of the School District, which was identified by the General Assembly as one of the most distressed and underachieving in the Commonwealth as of July 2000. Act 91 directs the Mayor to appoint a five-member board of directors and an eleven-member advisory board to assist him. Act 91 imposes no financial responsibilities on the City with respect to the School District. The Board of School Directors continues to pursue legal proceedings to have Act 16/Act 91 as applied to it enjoined and held unconstitutional.

The Harrisburg School District operates and reports on a fiscal year ending June 30.

**Joint Venture**

The City is a participant with other municipalities in a joint venture that provides services to the constituents of all the participants. The City has no financial or equity interest in the joint venture. The following is a summary of the significant facts and circumstances for the joint venture for the year ended June 30, 2001:

|                                 |   |
|---------------------------------|---|
| Name of Organization            | Cumberland-Dauphin-Harrisburg Transit Authority |
| Services Provided               | Bus Service                                     |
| City Board representation       | Two of seven members                            |
| Fiscal Year                     | June 30   |
| Current Assets                  | \$ 1,557,368                                    |
| Fixed Assets, Net               | \$ 8,102,440                                    |
| Total Assets                    | \$ 9,659,808                                    |
| Equity                          | \$ 8,141,162                                    |
| Operating Revenue               | \$ 4,880,071                                    |
| Operating Loss                  | \$(7,545,712)                                   |
| Net Loss                        | \$ (895,307)                                    |
| City Contribution to Operations | \$ 143,168                                      |

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**Related Organizations**

The City Council and Mayor are also responsible for appointing the members of several boards, but the City's accountability for these organizations does not extend beyond making appointments. These boards include:

|   |   |
|---|---|
| Broad Street Market Authority               | Harrisburg Human Relations Commission         |
| Planning Commission                         | Harrisburg Mayor's Commission on Literacy     |
| Private Industry Council                    | License and Tax Appeals                       |
| Tri-County Regional Planning Commission     | Electrical Code Advisory and Licensing        |
| Emergency Planning Committee                | Building Code Board of Appeals                |
| Board of Health                             | Housing Code Board of Appeals                 |
| Historical and Architectural Review Board   | Civil Service Board                           |
| Plumbing Board                              | Zoning Hearing Board                          |
| Harrisburg Economic Development Corporation | Revolving Loan Review Committee               |
| Downtown Improvement District               | Capital City Economic Development Corporation |
| Harrisburg Civic Baseball Club              |   |
| Susquehanna Area Regional Airport Authority |   |

The amounts the City appropriated to these organizations during the year ended December 31, 2001 were immaterial to the general purpose financial statements taken as a whole.

The City owns the National Civil War Museum and the related artifacts (collectively, the facilities). During 2001, the City entered into an agreement to lease the facilities to a not-for-profit organization (organization) for \$1 per year. After five years, the City can notify the organization that it would like to renegotiate the rent payment based on the organization's ability to pay. The mayor is one of twenty-five potential board members of the organization. Payments made by the City, on behalf of the organization, for the year ended December 31, 2001, were \$1,131,384.

The South Central Assembly for Effective Governance is an eight county consortium of government, business, education and community leaders charged with seeking creative ways to foster intergovernmental cooperation, to identify economies of scale in shared municipal services, to further sound, regional planning and growth management on a multi-metropolitan basis in the greater region, and to promote tourism and enhanced quality of life for all. The City appoints one member of the forty-five member board. Payments made by the City, on behalf of the South Central Assembly for Effective Governance, for the year ended December 31, 2001, were \$140,000.

**B. *Basis of Presentation***

The accounts of the City are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into six generic fund types: General, Special Revenue, Debt Service, Capital Projects, Enterprise, and Trust and Agency, and three broad fund categories as follows:

*Governmental Fund Types*

Governmental funds are those by which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

**General Fund** – Accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the general operating fund of the City.

**Special Revenue Funds** – Accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. Each fund is established on a functional basis and may include one or more grants or other funding sources.

**Debt Service Fund** – Accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest and related costs.

**Capital Projects Fund** – Accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities (other than those financed by proprietary funds).

*Proprietary Funds*

**Enterprise Funds** – Accounts for operations that are financed and operated in a manner similar to private business – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Measurement focus is based upon determination of income, financial position, and cash flow.

*Fiduciary Funds*

**Trust and Agency Funds** – Accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The pension trust fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

*Account Groups*

The following two account groups are not “funds.” They are concerned only with the measurement of financial position, and are not involved with the measurement of results of operations.

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**General Fixed Assets Account Group** – Accounts for the general fixed assets of the City utilized in its general operations, exclusive of those used in enterprise funds. General fixed assets include land, buildings and structures, equipment and construction-in-progress owned by the City.

**General Long-Term Debt Account Group** – Accounts for all long-term obligations of the City except those accounted for in the enterprise funds.

**C. *Fixed Assets and Long-Term Liabilities***

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measurement of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

**General Fixed Assets** – Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Infrastructure, or public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized with other general fixed assets. During 2001, The Harrisburg Authority expended \$505,033 for Civil War artifacts, which management is displaying in the National Civil War Museum. The Harrisburg Authority also expended \$1,952,540 for artifacts relating to other pending museums in 2001. Artifacts, totaling \$21,566,880, have been recorded at cost in the General Fixed Assets Account Group.

All recorded general fixed assets are stated at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1982 have been valued by applying an inflation index to current replacement cost to determine estimated historical costs. Such assets amounted to \$5,476,424 at December 31, 2001. Gifts or contributions are recorded at fair market value at the time of acquisition.

**Proprietary Fund Type Fixed Assets** – Fixed assets for enterprise activities are capitalized in the enterprise funds and are stated at cost. Depreciation is provided using the straight-line method, over estimated useful lives as follows:

|                            |                |
|----------------------------|----------------|
| Buildings and improvements | 5 to 100 years |
| Machinery and equipment    | 5 to 20 years  |

**Long-Term Liabilities** – Long-term liabilities, including workers’ compensation, bonus, retirement, vacation and sick pay, expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities of the enterprise funds are accounted for in the respective funds.

**D.      *Basis of Presentation***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a financial flow measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental and expendable trust and agency funds are reported on the modified accrual basis of accounting. Revenues of governmental and expendable trust funds are recognized in the year in which they become both measurable and available within 60 days after year-end to pay current year liabilities. The major revenue sources accrued by the City include real estate taxes, intergovernmental revenue, departmental earnings and investment income. Revenues from other sources are recognized when received. Expenditures are generally recognized in the year the related fund liability is incurred. Principal and interest on general long-term obligations are recognized when due. Prepaid items and inventory purchases are reported as expenditures in the year when the items are purchased. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported as the amount accrued during the year that normally would be liquidated with expendable available financial resources.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

All proprietary funds are accounted for on a capital maintenance measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City follows GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* (Statement No. 20), for reporting and disclosure purposes. As permitted by Statement No. 20, the City has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

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**E. *Budgets and Budgetary Accounting***

Formal budgetary integration is employed as a management control device during the year for the General Fund, State Liquid Fuels Tax Special Revenue Fund, Debt Service Fund, and all enterprise funds with the exception of the Hydroelectric Dam Fund and the Harrisburg Senators Fund. Annual budgets are adopted by ordinances passed by City Council. The City has established the following procedures relating to the preparation and adoption of the annual budget.

1. During August, budget preparation packages are prepared and submitted to the department heads/bureau chiefs for use in developing financial projections for their expenditures for the ensuing year.
2. The budget staff reviews the department heads'/bureau chiefs' expenditure projections and submits a first draft to the Business Administrator. Subsequent to the Business Administrator's review, the draft and recommendations are forwarded to the Mayor.
3. During October, departmental review forms are prepared and submitted to all department heads/bureau chiefs for use in developing financial projections for anticipated revenues for the ensuing year.
4. Mayoral hearings are then held with each department to discuss their budgets as submitted and allow them to substantiate projected expenditures.
5. After hearings, the budget staff again reviews the projections and presents to the Business Administrator options as to the most viable method of financing them.
6. A second draft is then given to the Mayor with the balanced budget prepared as a result of meetings held between the Mayor, the Business Administrator and the budget staff.
7. On the fourth Tuesday of November, the final Mayoral recommended budget is presented to City Council.
8. Council holds Budget and Finance Committee meetings to substantiate the proposed budget and arrive at any amendments to the budget.
9. By December 31, the budget, as amended by Council, is legally enacted through the passage of an ordinance.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual reflects the legal level of budgetary control. Appropriations are authorized by ordinance at the fund level with the exception of the General Fund, which is appropriated at the functional office or bureau level within each department except for the Office of Administration, which has separate budgets for administration and general expenditures. The City budgets at the bureau or functional office level for administration expenditures, and at the total employee benefits and purchases level for general expenditures in the general fund. Administrative control is maintained through the establishment of more detailed line-item budgets.

The Business Administrator may authorize transfers less than \$20,000 within a department or office. While City Council approval is required for transfers in excess of \$20,000 along budget lines, the City considers budgetary authority to be at the departmental level as reported on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual. In the absence of budgeted financing, City Council may approve a supplemental

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appropriation from unappropriated fund balances. Therefore, the legal level of control is the department level. There were no supplemental appropriations enacted during 2001.

Annual budgets are legally adopted for the General Fund, State Liquid Fuels Tax Special Revenue Fund, Debt Service Fund, and for the Sewer (net of applicable activity of The Harrisburg Authority) and Sanitation Enterprise Funds. Budgets for governmental funds are prepared on a cash basis with respect to revenues and on an item voucher basis with respect to expenditures. Specific funds exempted from legally adopted budgetary requirements include:

- Grant Programs Special Revenue Fund
- Capital Projects Fund
- Hydroelectric Dam Enterprise Fund
- Harrisburg Senators Enterprise Fund
- Expendable Trust Fund

Over 30 different grant programs which are accounted for in the special revenue fund are administered under project budgets determined by contracts with state and federal grantor agencies. Effective expenditure control is achieved in the Capital Projects Fund through bond indenture provisions. Controls over spending in the Expendable Trust Fund and Hydroelectric Dam Enterprise Fund are achieved by the use of internal spending limits.

**F. *Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City records encumbrances as reservations of fund balance in all governmental funds at year-end. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control but reserves are not reported. There were no encumbrances outstanding at December 31, 2001 in the proprietary funds. The subsequent year's appropriations provide authority to complete the transactions as expenditures. Encumbrances outstanding at December 31, 2001 consisted of \$3,033,353 in the Special Revenue Fund types and are not reflected on the combined balance sheet because they relate to funds which have zero balances at year-end. Encumbrances outstanding which are reflected on the combined balance sheet at December 31, 2001, by fund type, are presented below:

|                  |                   |
|------------------|-------------------|
| General          | \$ 466,838        |
| Capital Projects | 312,312           |
| Trust and Agency | <u>5,828</u>      |
|                  | <u>\$ 784,978</u> |

**G. *Investments***

The City carries its investments at fair value. The fair value of the City's investments are based upon values provided by external investment managers and quoted market price.

**H.      *Allowance for Uncollectible Accounts***

The allowance for uncollectible accounts is based upon historical ratios established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

**I.       *Pensions***

All full-time employees of the City, with the exception of police officers, are covered by an agent-multiple employer public employee retirement system, the Pennsylvania Municipal Retirement System (PMRS). Police officers are covered by the Combined Police Pension Plan, a single-employer pension plan. Contributions to the plans are made in amounts sufficient to fund current service costs and to fund prior and past service costs over a forty-year period. Member employees contribute amounts to the plans based on a percentage of salary. The City funds its pension plans on the basis of normal cost plus the amortization of prior service cost over thirty years in accordance with Act 205 - 1984 of the Pennsylvania legislature. Pension expense is based upon normal cost plus the equivalent to interest on the unfunded prior service costs. As of December 31, 2001, there was no unfunded actuarial accrued pension liability.

**J.       *Vested Compensated Absences***

Vested compensated absences represent vested portions of accumulated unpaid vacation, sick pay and other employee benefit amounts. It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick pay and other employee benefit amounts, which will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation, sick pay and other employee benefit amounts are recognized when payments are made to employees. A long-term liability of \$7,396,600 of accrued vacation, sick pay and other employee benefits at December 31, 2001, has been recorded in the General Long-Term Debt Account Group, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue vacation, sick pay and other employee benefits in the period they are earned.

**K.       *Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except those related to injuries to employees. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City is self-insured for workers' compensation. As a self-insurer, the City is required to either establish a trust fund or purchase a surety bond to guarantee workers' claims in the event that the City would be unable to meet its obligations. Accordingly, the City has established a trust fund for workers' compensation claims. The City provides coverage for up to a maximum of \$400,000 for each workers' compensation claim, and has purchased commercial coverage for claims in excess of coverage provided by the City.

The City has reported the liability for outstanding claims in its General Long-Term Debt Account Group for all governmental funds and has reserved its General Fund balance for the amount of the trust fund. Additionally, the City has reported the claims related to the operation of the Enterprise Funds as accrued costs. The accrued cost for unpaid claims was \$2,027,691 and \$426,396 in the General Long-Term Debt Account Group and enterprise funds, respectively, at December 31,



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2001. These claims liabilities are discounted to present value at a discount rate of 5% and are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Change in the claims' liability amounts were as follows:

|  | General<br>Long-Term<br>Debt Account<br>Group | Enterprise<br>Fund | 2001                | 2000                |
|--|---|--------------------|---------------------|---------------------|
| Beginning – January 1                        | \$ 2,376,740                                  | \$ 471,019         | \$ 2,847,759        | \$ 2,993,595        |
| Current year claims and changes in estimates | 136,566                                       | 105,409            | 241,975             | 838,467             |
| Claim payments                               | (485,615)                                     | (150,032)          | (635,647)           | (984,303)           |
| Ending - December 31                         | <u>\$ 2,027,691</u>                           | <u>\$ 426,396</u>  | <u>\$ 2,454,087</u> | <u>\$ 2,847,759</u> |

**L. *Cash and Cash Equivalents***

For the purpose of the Combined Statement of Cash Flows, highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**M. *Total Columns on Combined Statements***

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**N. *Deferred Costs***

Issuance costs related to the bonds of component units and the proprietary fund type have been capitalized as deferred financing costs and are being amortized over the life of the related obligation.

The City and The Harrisburg Authority and The Harrisburg Parking Authority follow the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. GASB Statement No. 23 requires that the difference between the reacquisition price and the net carrying amount of the defeased debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the amount of the unamortized deferred costs of refunding is reported as a deduction from the new liability. As of December 31, 2001, the unamortized deferred costs of refunding recorded by The Harrisburg Authority and the Harrisburg Parking Authority were \$11,028,517 and \$3,293,948, respectively.

**O.     *Non-Recourse Debt Issue***

The Harrisburg Authority participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reflected on the Authority's balance sheet. As of December 31, 2001, non-recourse debt issues outstanding totaled \$152,080,000 including \$58,265,000 on behalf of the City.

**P.     *Pending Changes in Accounting Principles***

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 established significant new financial reporting requirements for state and local governments. The City is required to adopt Statement No. 34 for their calendar year 2003 financial statements.

**2.     BUDGETARY DATA**

***Governmental Funds***

The actual results of operations presented in accordance with accounting principles generally accepted in the United States of America differ from the budgetary basis used in preparation of the 2001 budget for governmental funds. For the purpose of preparing the Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General, Special Revenues and Debt Service Fund Types – Budgetary (Non-GAAP) Basis – Primary Government, the actual results of operations have been presented on a budgetary basis consistent with the City's budgeted revenues and expenditures. During 2001, \$247,448 was appropriated from fund balance in the Sanitation Fund, a Proprietary Fund. There were no Proprietary Fund supplemental appropriations enacted during 2001.

During the year ended December 31, 2001, the General Fund's public safety expenditures exceeded appropriations by \$411,789. This excess was due to health insurance benefits paid on behalf of police and fire retirees. A reconciliation of the differences between the budgetary basis and GAAP basis financial statements of the General Fund is as follows:

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|   | Fund<br>Balance,<br>Beginning<br>of Year | Revenues            | Expenditures          | Financing<br>Sources<br>(Uses) | Fund<br>Balance,<br>End of Year |
|---|--|---------------------|-----------------------|--------------------------------|---------------------------------|
| Budgetary basis   | \$ 7,766,714                             | \$43,891,060        | \$(39,906,934)        | \$ (7,252,117)                 | \$ 4,498,723                    |
| Taxes receivable  | 3,804,490                                | 219,019             | -                     | -                              | 4,023,509                       |
| Accounts receivable   | 346,415                                  | (764)               | -                     | -                              | 345,651                         |
| Other assets  | 426,035                                  | -                   | 215,385               | -                              | 641,420                         |
| Accounts payable, net<br>of items vouchered                       | (1,384,089)                              | -                   | (1,119,349)           | -                              | (2,503,438)                     |
| Accrued liabilities   | (883,842)                                | -                   | (334,240)             | -                              | (1,218,082)                     |
| Advances and amounts<br>due to other funds and<br>component units | (858,526)                                | -                   | (2,515,136)           | -                              | (3,373,662)                     |
| Deferred revenue  | (3,413,840)                              | (408,029)           | -                     | -                              | (3,821,869)                     |
| Other   | 5,898,854                                | 2,249,849           | 3,272,825             | -                              | 11,421,528                      |
| GAAP basis  | <u>\$11,702,211</u>                      | <u>\$45,951,135</u> | <u>\$(40,387,449)</u> | <u>\$ (7,252,117)</u>          | <u>\$ 10,013,780</u>            |

A reconciliation of the differences between the budgetary basis and GAAP basis financial statements of the Special Revenue Fund is as follows:

|                                | Fund<br>Balance,<br>Beginning<br>of Year | Revenues             | Expenditures          | Financing<br>Sources<br>(Uses) | Fund<br>Balance,<br>End of Year |
|--------------------------------|--|----------------------|-----------------------|--------------------------------|---------------------------------|
| State Liquid Fuels Tax<br>Fund | \$ 309,815                               | \$ 798,419           | \$ (663,143)          | \$ (107,313)                   | \$ 337,778                      |
| Budgetary basis                |  |                      |                       |                                |                                 |
| Other assets                   |  |                      |                       |                                |                                 |
| Accrual adjustments            |  |                      |                       |                                |                                 |
| Accrued expenses               | (12,498)                                 | -                    | (2,351)               | -                              | (14,849)                        |
| Reclassification               | 44,420                                   | 17                   | 1,463                 | -                              | 45,900                          |
| GAAP basis                     | 341,737                                  | 798,436              | (664,031)             | (107,313)                      | 368,829                         |
| Nonbudgeted funds              |  |                      |                       |                                |                                 |
| Grant Programs Fund            | -  | 10,112,349           | (10,112,349)          | -                              | -                               |
| GAAP basis                     | <u>\$ 341,737</u>                        | <u>\$ 10,910,785</u> | <u>\$(10,776,380)</u> | <u>\$ (107,313)</u>            | <u>\$ 368,829</u>               |

A reconciliation of the differences between the budgetary basis and GAAP basis financial statements of the Debt Service Fund is as follows:

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|                   | Fund<br>Balance,<br>Beginning<br>of Year<br>(restated) | Revenues         | Expenditures          | Financing<br>Sources<br>(Uses) | Fund<br>Balance,<br>End of Year |
|-------------------|--|------------------|-----------------------|--------------------------------|---------------------------------|
| Budgetary basis   | \$ 574,291   | \$ 23,886        | \$ (8,667,075)        | \$ 8,522,025                   | \$ 453,127                      |
| Reclassifications | -  | 4,072            | 619,640               | (619,771)                      | 3,941                           |
| GAAP basis        | <u>\$ 574,291</u>                                      | <u>\$ 27,958</u> | <u>\$ (8,047,435)</u> | <u>\$ 7,902,254</u>            | <u>\$ 457,068</u>               |

***Proprietary***

During 2001, \$247,448 was appropriated from fund balance in the Sanitation Fund. Differences between the budgetary basis and GAAP basis financial statements, which relate primarily to nonbudgeted components, are as follows:

|  | Retained<br>Earnings<br>(Deficit)<br>Beginning<br>of Year | Revenues             | Expenses               | Net<br>Nonoperating<br>Revenue<br>(Expenses)<br>and Operating<br>Transfers | Retained<br>Earnings<br>(Deficit)<br>End of Year |
|--|---|----------------------|------------------------|--|--|
| Budgetary basis                        | \$ 7,772,432  | \$ 15,394,884        | \$ (15,474,215)        | \$ 247,448   | \$ 7,940,549                                     |
| Nonbudgeted<br>component units         |   |                      |                        |  |  |
| Hydroelectric Dam<br>Fund              | 18,559,727  | -                    | (158,628)              | 177,166  | 18,578,265                                       |
| Harrisburg Senators<br>Enterprise Fund | (3,410,547)   | 248,688              | (37,387)               | (573,353)  | (3,772,598)                                      |
| Accrual adjustments                    | 65,074  | (743,826)            | 1,940,266              | (2,000,315)  | (738,801)  |
| GAAP basis                             | <u>\$ 22,986,686</u>                                      | <u>\$ 14,899,746</u> | <u>\$ (13,729,964)</u> | <u>\$ (2,149,053)</u>  | <u>\$ 22,007,415</u>                             |

**3. DEPOSITS AND INVESTMENTS**

The deposit and investment policy of the City adheres to state statutes and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Permissible investments include direct obligations of the U.S. Treasury and U.S. Governmental agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements not to exceed 30 days, secured by U.S. Government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth of Pennsylvania. This policy is in accordance with applicable Pennsylvania statutes. There were no deposit or investment transactions that were in

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violation of either state statutes or the policy of the City at December 31, 2001, nor during the year then ended.

Proceeds from debt and other funds, which are held in bank trust accounts in the City's name and administered by trustees for payment of revenue bonds and the enterprise fund portion of general long-term debt, are classified as restricted assets since their use is limited by applicable bond indentures.

***Deposits***

The following summary presents the City deposits which are fully insured or collateralized with securities held by the City or its agent in the City's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name (Category 2) and those deposits which are not collateralized (Category 3) at December 31, 2001. Deposits which do not involve a transferable financial instrument are uncategorized.

|                                    | Bank Balance |            |              |               | Reported     |
|------------------------------------|--------------|------------|--------------|---------------|--------------|
|                                    | Category 1   | Category 2 | Category 3   | Uncategorized | Amount       |
| Primary government                 |              |            |              |               |              |
| Unrestricted cash                  | \$10,939,087 | \$ 522,549 | \$ 9,458,168 | \$ -          | \$20,919,804 |
| Restricted cash                    |              |            |              |               |              |
| Cash                               | 446,516      | 116,654    | 2,810,783    | -             | 3,373,953    |
| Cash with fiscal agents            | 5,268        | -          | 31,810       | -             | 37,078       |
| Total restricted cash              | 451,784      | 116,654    | 2,842,593    | -             | 3,411,031    |
| Total primary government           | \$11,390,871 | \$ 639,203 | \$12,300,761 | \$ -          | \$24,330,835 |
| Component units                    |              |            |              |               |              |
| Unrestricted cash                  | \$ 200,000   | \$ -       | \$ 8,380,499 | \$ -          | \$ 8,580,499 |
| Restricted cash with fiscal agents | 500,000      | -          | 821,525      | 39,194,884    | 40,516,409   |
| Total component units              | \$ 700,000   | \$ -       | \$ 9,202,024 | \$39,194,884  | \$49,096,908 |

***Investments***

The investments of the City at December 31, 2001 have been categorized according to the level of risk assumed by the reporting entity. Category 1 includes investments that are insured, registered, or are held by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent but not in the City's name.

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|                                       | Category 1 | Category 2   | Category 3    | Uncategorized | Carrying Amount | Fair Value    |
|---------------------------------------|------------|--------------|---------------|---------------|-----------------|---------------|
| Primary government                    |            |              |               |               |                 |               |
| Unrestricted investments              |            |              |               |               |                 |               |
| Fixed income funds                    | \$ -       | \$ -         | \$ 23,761,065 | \$ -          | \$ 23,761,065   | \$ 23,761,065 |
| Equity funds                          | -          | -            | 13,373,226    | -             | 13,373,226      | 13,373,226    |
| Common stock                          | -          | -            | 16,925,942    | -             | 16,925,942      | 16,925,942    |
| Total unrestricted investments        | -          | -            | 54,060,233    | -             | 54,060,233      | 54,060,233    |
| Restricted investments                |            |              |               |               |                 |               |
| U.S. Obligations                      | -          | -            | 1,163,660     | 52,810        | 1,216,470       | 1,216,470     |
| Total restricted investments          | -          | -            | 1,163,660     | 52,810        | 1,216,470       | 1,216,470     |
| Total primary government              | \$ -       | \$ -         | \$ 55,223,893 | \$ 52,810     | \$55,276,703    | \$55,276,703  |
| Component units                       |            |              |               |               |                 |               |
| Unrestricted investments              |            |              |               |               |                 |               |
| Municipal bonds                       | \$ -       | \$ 415,000   | \$ -          | \$ -          | \$ 415,000      | \$ 415,000    |
| Governmental bonds                    | -          | 5,379,191    | -             | -             | 5,379,191       | 5,379,191     |
| Total unrestricted investments        | -          | 5,794,191    | -             | -             | 5,794,191       | 5,794,191     |
| Restricted investments                |            |              |               |               |                 |               |
| U.S. Treasury securities              | -          | 582,575      | 4,879,266     | -             | 5,461,841       | 5,461,841     |
| Corporate bonds                       |            | 5,689,504    | 1,047,000     | -             | 6,736,504       | 6,736,504     |
| Municipal bonds                       |            |              | 6,905,141     | -             | 6,905,141       | 6,905,141     |
| U.S. Treasury principal – only STRIPS | -          | -            | -             | 16,848,689    | 16,848,689      | 16,848,689    |
| Total restricted investments          | -          | 6,272,079    | 12,831,407    | 16,848,689    | 35,952,175      | 35,952,175    |
| Total component units                 | \$ -       | \$12,066,270 | \$12,831,407  | \$16,848,689  | \$41,746,366    | \$41,746,366  |

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Included in the component units restricted investments are Resolution Funding Corporation and U.S. Treasury principal-only STRIPS. These STRIPS are to be used, when they mature, to pay a portion of the principal and interest on The Harrisburg Authority Sewer Revenue Bonds, Series of 1984. There also are STRIPS in an investment account for which the Authority has not yet made the final determination of use. However, monies on deposit in the investment account may be applied by the Authority for any purpose permitted by the respective Sewer Revenue Indentures. Those particular STRIPS have little credit and legal risk while the market risk is significant as principal-only STRIPS are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS at December 31, 2001, was \$16,848,689 and is reported as part of restricted investments in the balance sheet.

**4. PROPERTY TAXES**

Based upon assessed valuations provided by the County of Dauphin (the County), the City bills and collects its own property taxes. Delinquent accounts are turned over to the County which collects the taxes on behalf of the City. The schedule for property taxes levied for 2001 is as follows:

|                             |  |
|-----------------------------|--|
| January 1, 2001             | - lien date                            |
| January 14, 2001            | - original levy date                   |
| January 14 – March 14, 2001 | - 2% discount period                   |
| March 15 – May 14, 2001     | - face payment period                  |
| May 15 – December 31, 2001  | - 10% penalty period                   |
| January 1, 2002             | - turned over to County for collection |

The City is permitted by the Third Class City Code to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general City purposes. However, under an order of court dated December 20, 1982, the City was authorized to exceed the statutory general millage rate, up to maximum of 30 mills.

The real property tax imposed by the City in 2001 was 9.618 mills on improvements and 48.090 mills on land. Both land and improvements are assessed at 100% of market value, with an effective combined equivalent single millage rate of 15.595 mills.

Property taxes are recorded as of the date levied. Amounts not collected within sixty days after the end of the year are deferred.

In addition, City taxes may be paid in four installments due on or before January 31, March 31, May 31 and July 31 of the tax year with no discount period allowed. Any delinquent installment is subject to a penalty of 10%.

**5. INTERFUND BALANCES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

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Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Individual fund interfund receivable and payable balances at December 31, 2001 are as follows:

| Primary Government          | Due from<br>Other Funds                                  | Due to<br>Other Funds                                  | Advances<br>To<br>Other Funds                               | Advances<br>From<br>Other Funds                                  |
|-----------------------------|--|--|---|--|
| General Fund                | \$ 1,179,074   | \$ 199,615   | \$ 411,375  | \$ -   |
| Special Revenue Funds       |  |  |   |  |
| State Liquid Fuels Tax Fund | 2,251  | 1,622  | -   | -  |
| Grant Programs Fund         | 113  | 403,446  | -   | 133,975  |
| Total Special Revenue Funds | 2,364  | 405,068  | -   | 133,975  |
| Debt Service Fund           | 34,614   | -  | -   | -  |
| Capital Projects Fund       | 1,600,785  | 61,836   | -   | -  |
| Enterprise Funds            |  |  |   |  |
| Sewer                       | 102,872  | 34,832   | -   | -  |
| Sanitation                  | 6,737  | 197,068  | -   | 277,400  |
| Hydroelectric Dam           | 28   | 271,099  | -   | -  |
| Harrisburg Senators         | -  | 1,362,016  | -   | -  |
| Total Enterprise Funds      | 109,637  | 1,865,015  | -   | 277,400  |
| Trust and Agency Funds      |  |  |   |  |
| Agency Funds                | 28,772   | 423,712  | -   | -  |
| Total primary government    | \$2,955,246  | \$2,955,246  | \$ 411,375  | \$ 411,375   |
| Component Units             | Due from<br>Primary<br>Government/<br>Component<br>Units | Due to<br>Component<br>Units/<br>Primary<br>Government | Advances to<br>Primary<br>Government/<br>Component<br>Units | Advances<br>From<br>Component<br>Units/<br>Primary<br>Government |
| Primary Government          |  |  |   |  |
| General Fund                | \$ 1,785,344   | \$ -   | \$ -  | \$ 2,155,580   |
| Enterprise Fund             | -  | -  | -   | 2,987,479  |
| Component Units             | 846,554  | 2,631,898  | 5,143,059   | -  |
| Totals                      | \$ 2,631,898   | \$ 2,631,898   | \$ 5,143,059  | \$ 5,143,059   |



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**6. INTERGOVERNMENTAL REVENUE, RECEIVABLES AND PAYABLES**

The General Fund intergovernmental revenue for the year ended December 31, 2001 is as follows:

|  |                     |
|--|---------------------|
| Commonwealth of Pennsylvania, Pension System Aid           | \$ 1,861,047        |
| Harrisburg Parking Authority, excess parking revenue       | 2,230,000           |
| Commonwealth of Pennsylvania, Capital fire protection      | 1,020,000           |
| Utilities payments in lieu of taxes from other governments | <u>39,523</u>       |
|  | <u>\$ 5,150,570</u> |

The City also participates in a number of state and federal grant programs. Revenues from these programs are as follows:

|                                   |                      |
|-----------------------------------|----------------------|
| Special Revenue Funds             |                      |
| State Liquid Fuels Tax Fund       | \$ 777,638           |
| Grant Programs Fund               |                      |
| Community Development Block Grant | 3,440,270            |
| Lead Based Paint Grant            | 276,253              |
| HOME Program                      | 995,008              |
| Section 108                       | 2,827,637            |
| Other state/federal grants        | <u>1,802,522</u>     |
|                                   | <u>10,119,328</u>    |
| Capital Projects Fund             |                      |
| Pennsylvania Office of Budget     | <u>1,436,592</u>     |
|                                   | <u>\$ 16,706,490</u> |

The Grant Programs Special Revenue Fund had deferred revenue of \$1,529,630 at December 31, 2001, representing payments received in advance for various grant programs. The remaining deferred revenues of \$6,080,921 represent deferred loans receivable.

**7. RESTRICTED ASSETS**

***Revenue Bond and General Obligation Note Proceeds***

Proceeds from debt and other funds, which are held in bank trust accounts and administered by trustees for payment of revenue bonds, are classified as restricted assets in the enterprise funds since their use is limited by applicable bond indentures.

***Workers' Compensation Deposit***

In accordance with the provisions of the Pennsylvania Workers' Compensation Act, the City has secured an exemption from the necessity of insuring its workers' compensation liability and has established and maintained a trust to provide a reserve for claimants entitled to benefits. Since

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inception, a total of \$600,000 has been deposited in a bank trust account through December 31, 2001. Interest of \$1,263,659 has been earned on the deposits and claims of \$700,000 have been paid from the trust account from inception through December 31, 2001, giving the City total assets held as reserves of \$1,163,660 at December 31, 2001, of which \$490,853 is included in the General Fund and \$672,807 is included in the enterprise funds as restricted investments at December 31, 2001.

**8. FIXED ASSETS**

General fixed assets changed during the year ended December 31, 2001 as follows:

|                            | Beginning<br>of Year | Additions *         | Retirements<br>and Deposits | End of Year          |
|----------------------------|----------------------|---------------------|-----------------------------|----------------------|
| Land                       | \$ 8,553,471         | \$ -                | \$ -                        | \$ 8,553,471         |
| Buildings and improvements | 72,879,445           | 4,182,970           | -                           | 77,062,415           |
| Equipment and furniture    | 44,632,639           | 6,174,859           | (1,730,260)                 | 49,077,238           |
|                            | <u>\$126,065,555</u> | <u>\$10,357,829</u> | <u>\$ (1,730,260)</u>       | <u>\$134,693,124</u> |

\* Includes current year additions of \$2,457,573 for museum artifacts as discussed in Note 1C.

Primary government proprietary fund type fixed asset changes during the year ended December 31, 2001 are as follows:

|                                     | Beginning<br>of Year | Additions          | Deletions         | Provisions<br>for<br>Depreciation | End of Year         |
|-------------------------------------|----------------------|--------------------|-------------------|-----------------------------------|---------------------|
| Land                                | \$ 1,917,754         | \$ -               | \$ -              | \$ -                              | \$ 1,917,754        |
| Buildings and improvements          | 14,754,540           | 77,478             | -                 | -                                 | 14,832,018          |
| Machinery and equipment             | 53,953,723           | 1,418,405          | (18,518)          | -                                 | 55,353,610          |
| Construction-in-progress            | 21,008,439           | -                  | -                 | -                                 | 21,008,439          |
| Senators franchise fee<br>(Note 16) | 7,067,061            | -                  | -                 | -                                 | 7,067,061           |
|                                     | 98,701,517           | 1,495,883          | (18,518)          | -                                 | 100,178,882         |
| Less accumulated<br>depreciation    | (33,297,259)         | -                  | 14,788            | (1,992,875)                       | (35,275,346)        |
| Less accumulated<br>amortization    | (1,590,089)          | -                  | -                 | (353,353)                         | (1,943,442)         |
| Net fixed assets                    | <u>\$63,814,169</u>  | <u>\$1,495,883</u> | <u>\$ (3,730)</u> | <u>\$ (2,346,228)</u>             | <u>\$62,960,094</u> |

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Component units' fixed assets as of December 31, 2001 are as follows:

|                           | The<br>Harrisburg<br>Authority | Harrisburg<br>Parking<br>Authority | Total<br>Component<br>Units |
|---------------------------|--------------------------------|------------------------------------|-----------------------------|
| Land and improvements     | \$ 1,215,539                   | \$ 9,946,200                       | \$ 11,161,739               |
| Building and improvements | 27,923,924                     | 62,643,964                         | 90,567,888                  |
| Furniture and fixtures    | 227,012                        | 282,079                            | 509,091                     |
| Machinery and equipment   | 102,735,587                    | 1,755,478                          | 104,491,065                 |
| Construction-in-progress  | 4,318,321                      | 2,712,928                          | 7,031,249                   |
|                           | 136,420,383                    | 77,340,649                         | 213,761,032                 |
| Accumulated depreciation  | (26,476,418)                   | (11,920,557)                       | (38,396,975)                |
| Net fixed assets          | <u>\$109,943,965</u>           | <u>\$ 65,420,092</u>               | <u>\$175,364,057</u>        |

**9. GENERAL LONG-TERM DEBT ACCOUNT GROUP**

General long-term obligations changed during the year ended December 31, 2001 as follows:

|                               | Beginning<br>of Year | Additions           | Accretion           | Retirements         | End of Year          |
|-------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| Workers' compensation claims  | \$ 2,376,740         | \$ 136,566          | \$ -                | \$ 485,615          | \$ 2,027,691         |
| Bonds payable (Note 10)       | 70,150,136           | -                   | 3,078,851           | 7,092,674           | 66,136,313           |
| Notes payable (Note 12)       | 35,087,065           | -                   | 1,658,068           | 315,000             | 36,430,133           |
| Capitalized lease obligations | 205,409              | 9,559,175           | -                   | 376,520             | 9,388,064            |
| Vested compensated absences   | 7,218,062            | 178,538             | -                   | -                   | 7,396,600            |
|                               | <u>\$115,037,412</u> | <u>\$ 9,874,279</u> | <u>\$ 4,736,919</u> | <u>\$ 8,269,809</u> | <u>\$121,378,801</u> |

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**10. BONDS PAYABLE**

Bonds payable at December 31, 2001 are reflected on the combined balance sheet as follows:

|  | Primary Government  |                              | Total<br>Primary<br>Government | Component Units                |                                    | Total<br>Component<br>Units |
|--|---------------------|------------------------------|--------------------------------|--------------------------------|------------------------------------|-----------------------------|
|  | Enterprise<br>Fund  | General<br>Long-Term<br>Debt |                                | The<br>Harrisburg<br>Authority | Harrisburg<br>Parking<br>Authority |                             |
| Bonds payable                              | \$ 8,334,714        | \$66,136,313                 | \$74,471,027                   | \$260,520,000                  | \$90,715,000                       | \$351,235,000               |
| Current portion of bonds payable           | -                   | -                            | -                              | 6,385,000                      | 1,475,000                          | 7,860,000                   |
| Liabilities payable from restricted assets |                     |                              |                                |                                |                                    |                             |
| Current portion of bonds payable           | 107,037             | -                            | 107,037                        | -                              | -                                  | -                           |
| Deferred loss on refunding                 | -                   | -                            | -                              | (11,028,517)                   | (3,293,948)                        | (14,322,465)                |
| Unamortized discount                       | -                   | -                            | -                              | (75,596,850)                   | (581,339)                          | (76,178,189)                |
| Total bonds payable                        | <u>\$ 8,441,751</u> | <u>\$66,136,313</u>          | <u>\$74,578,064</u>            | <u>\$180,279,633</u>           | <u>\$88,314,713</u>                | <u>\$268,594,346</u>        |

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts, issuance costs, remarketing costs, and losses on refunding for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts and losses on refunding are presented as reductions of the face amount of bonds payable whereas issuance costs and marketing costs are recorded as deferred charges.

**CITY OF HARRISBURG, PENNSYLVANIA**  
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Bonds payable are accounted for in the following fund and account groups:

|   | Enterprise<br>Fund | General<br>Long-Term<br>Debt | Total<br>Primary<br>Government | The<br>Harrisburg<br>Authority | Harrisburg<br>Parking<br>Authority | Total<br>Component<br>Units |
|---|--------------------|------------------------------|--------------------------------|--------------------------------|------------------------------------|-----------------------------|
| <b>General Obligation Bonds</b>                           |                    |                              |                                |                                |                                    |                             |
| Series A of 1995  | \$ 47,946          | \$ 4,607,054                 | \$ 4,655,000                   | \$ -                           | \$ -                               | \$ -                        |
| Series A and B of 1995                                    | 314,087            | 24,795,529                   | 25,109,616                     | -                              | -                                  | -                           |
| Series A1 of 1997   | 7,985,000          | -                            | 7,985,000                      | -                              | -                                  | -                           |
| Series D of 1997  | -                  | 30,173,448                   | 30,173,448                     | -                              | -                                  | -                           |
| Series E of 1997  | 81,968             | 6,458,032                    | 6,540,000                      | -                              | -                                  | -                           |
| <b>Total general obligation bonds</b>                     | <b>8,429,001</b>   | <b>66,034,063</b>            | <b>74,463,064</b>              | <b>-</b>                       | <b>-</b>                           | <b>-</b>                    |
| <b>Revenue Bonds</b>                                      |                    |                              |                                |                                |                                    |                             |
| <b>Lease Revenue Bonds</b>                                |                    |                              |                                |                                |                                    |                             |
| Series of 1991  | 12,750             | 102,250                      | 115,000                        | -                              | -                                  | -                           |
| <b>Water Revenue Bonds</b>                                |                    |                              |                                |                                |                                    |                             |
| Series of 1994  | -                  | -                            | -                              | 34,540,000                     | -                                  | 34,540,000                  |
| Water Revenue Bonds                                       |                    |                              |                                |                                |                                    |                             |
| Series B of 1993  | -                  | -                            | -                              | 42,595,000                     | -                                  | 42,595,000                  |
| Water Revenue Bonds                                       |                    |                              |                                |                                |                                    |                             |
| Series A, B and C of 1999                                 | -                  | -                            | -                              | 97,295,000                     | -                                  | 97,295,000                  |
| Water Revenue Bonds                                       |                    |                              |                                |                                |                                    |                             |
| Series of 2001  | -                  | -                            | -                              | 7,400,000                      | -                                  | 7,400,000                   |
| <b>Sewer Revenue Refunding</b>                            |                    |                              |                                |                                |                                    |                             |
| Series of 1992  | -                  | -                            | -                              | 19,035,000                     | -                                  | 19,035,000                  |
| <b>Sewer Revenue Bonds, First</b>                         |                    |                              |                                |                                |                                    |                             |
| Second and Third Series of 1989                           | -                  | -                            | -                              | 19,740,000                     | -                                  | 19,740,000                  |
| <b>Sewer Revenue Refunding Bonds</b>                      |                    |                              |                                |                                |                                    |                             |
| Series of 1984  | -                  | -                            | -                              | 3,080,000                      | -                                  | 3,080,000                   |
| <b>Resource Recovery Facility</b>                         |                    |                              |                                |                                |                                    |                             |
| Bonds, Series A, B, C, and D of 1998                      | -                  | -                            | -                              | 43,220,000                     | -                                  | 43,220,000                  |
| <b>Office and Parking Revenue Bonds</b>                   |                    |                              |                                |                                |                                    |                             |
| Series F of 1993  | -                  | -                            | -                              | -                              | 7,735,000                          | 7,735,000                   |
| Series G of 1994  | -                  | -                            | -                              | -                              | 2,905,000                          | 2,905,000                   |
| Series H of 1994  | -                  | -                            | -                              | -                              | 17,350,000                         | 17,350,000                  |
| Series K of 2000  | -                  | -                            | -                              | -                              | 11,800,000                         | 11,800,000                  |
| Series J of 2001  | -                  | -                            | -                              | -                              | 29,400,000                         | 29,400,000                  |
| Series of 2001  | -                  | -                            | -                              | -                              | 19,500,000                         | 19,500,000                  |
| Series of 2001  | -                  | -                            | -                              | -                              | 3,500,000                          | 3,500,000                   |
| Less: Deferred loss on refunding and unamortized discount | -                  | -                            | -                              | (86,625,367)                   | (3,875,287)                        | (90,500,654)                |
| <b>Total revenue bonds</b>                                | <b>12,750</b>      | <b>102,250</b>               | <b>115,000</b>                 | <b>180,279,633</b>             | <b>88,314,713</b>                  | <b>268,594,346</b>          |
| <b>Total bonds payable</b>                                | <b>\$8,441,751</b> | <b>\$66,136,313</b>          | <b>\$74,578,064</b>            | <b>\$180,279,633</b>           | <b>\$88,314,713</b>                | <b>\$268,594,346</b>        |

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A summary of bond transactions for the year ended December 31, 2001 is as follows:

|                                    | General<br>Obligation | Revenue           | Total<br>Primary<br>Government |
|------------------------------------|-----------------------|-------------------|--------------------------------|
| Bonds payable at January 1, 2001   | \$ 78,449,562         | \$ 225,000        | \$ 78,674,562                  |
| Current maturities                 | (7,085,000)           | (110,000)         | (7,195,000)                    |
| Accretion                          | 3,098,502             | -                 | 3,098,502                      |
| Bonds payable at December 31, 2001 | <u>\$ 74,463,064</u>  | <u>\$ 115,000</u> | <u>\$ 74,578,064</u>           |

Under the terms of its respective debt agreements, the City is required to maintain certain balances in restricted trust accounts, to make timely payments to the trustee or to a sinking fund for principal and interest, and to insure and maintain assets acquired with the proceeds of the debt.

Management believes that the City has complied in all material respects with the terms of its respective debt agreements.

The composition of bonds outstanding included in the primary government at December 31, 2001 is as follows:

**General Obligation Bonds**

|  |                  |
|--|------------------|
| 4.60%-4.80%, General Obligation Bonds, Series A of 1995, dated September 15, 1995, principal payment in annual installments of \$1,480,000 to \$1,625,000 through April 15, 2004, to be serviced through general revenues of the City and through operating revenues of the Sanitation facility.             | \$ 4,655,000     |
| 5.50%-6.84%, General Obligation Bonds, Series A and B of 1995, dated December 15, 1995, principal payable in annual installments of \$1,508,209 to \$3,140,000 through April 1, 2010, to be serviced through general revenues of the City and through sewer operating revenues and State Liquid Fuels Funds. | 25,109,616       |
| 7.33%-7.75%, Federally Taxable General Obligation Bonds, Series A1 of 1997, dated January 5, 1998, principal payable in annual installments of \$5,000 to \$1,775,000 through September 1, 2009. These notes are included in the City's enterprise fund and are to be serviced through fund operations.      | 7,985,000        |
| 4.15%-5.52%, General Obligation Refunding Bonds, Series D of 1997, dated December 30, 1997, principal payable in semi-annual installments of \$5,000 to \$2,707,445 through September 15, 2022, to be serviced through general revenues of the City.   | 30,173,448       |
| 6.32%-6.42%, Federally Taxable General Obligation Refunding Bonds, Series E of 1997, dated December 30, 1997, principal payable in annual installments of \$1,205,000 to \$2,750,000, beginning on March 15, 1999 through March 15, 2004, to be serviced through general revenues of the City.               | <u>6,540,000</u> |

|  |                   |
|--|-------------------|
| Total general obligation bonds payable | <u>74,463,064</u> |
|--|-------------------|

**Revenue Bonds**

|   |                |
|---|----------------|
| 6.35%, Lease Revenue Bonds, Series of 1991, of the City of Harrisburg Leasing Authority, dated September 15, 1991, final annual principal installment of \$115,000 due on June 15, 2002, to be serviced through general revenues of the City and through operating revenues of the sanitation facility. | <u>115,000</u> |
|---|----------------|

|  |                      |
|--|----------------------|
| Total primary government bonds payable | <u>\$ 74,578,064</u> |
|--|----------------------|

**CITY OF HARRISBURG, PENNSYLVANIA**  
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The composition of bonds outstanding included in the component units at December 31, 2001 is as follows:

The Harrisburg Authority

Revenue Bonds

|   |               |
|---|---------------|
| 2.60% - 5.30%, Water Revenue Bonds, Series of 1994, dated February 10, 1994, consisting of Fixed Rate Bonds, Series A-1, Short-term Auction Rate Securities, Series A-2, and Complimentary Auction Rate Securities, Series A-3. The Fixed Rate Bonds mature at various amounts through 2011 and the Short-term Auction Rate Securities and the Complimentary Auction Rate Securities mature on August 11, 2016. | \$ 34,540,000 |
| 3.55% - 5.88%, Water Revenue Bonds, Series B of 1993, dated February 25, 1993, principal payable for Series B at various amounts through 2015.  | 42,595,000    |
| 5.00% - 7.84%, Water Revenue Bonds, Series A, B, and C of 1999 dated September 10, 1999. Series A matures at various amounts from 2010 through 2011. Series B matures in 2029 and Series C matures at various amounts from 2011 through 2024.   | 97,295,000    |
| 3.40% - 5.00%, Water Revenue Bonds, Series A of 2001, dated May 2001. The bonds mature during 2015.   | 7,400,000     |
| 6.0% - 6.8%, Sewer Revenue Refunding Bonds, Series of 1992 dated March 3, 1992, principal payable in various amounts from October 15, 1998 through October 15, 2012 and are collateralized by lease rentals paid by the City of the Authority.  | 19,035,000    |
| 6.80% - 7.15%, Sewer Revenue Refunding Bonds, First, Second and Third Series of 1989. The first Series matures on January 1, 2002 and the Second and Third Series mature on October 15, 2012.   | 19,740,000    |
| 9.75% - 10.5%, Sewer Revenue Refunding Bonds, Series of 1984 consisting of compound interest bonds which mature on January 1, 2008.   | 3,080,000     |
| 4.45% - 6.12%, Resource Recovery Revenue Bonds, Series A, B, C, and D of 1998. Series A, B and C mature at various amounts from 2006 through 2013 and Series D at various amounts through 2005.   | 43,220,000    |

|                                |             |
|--------------------------------|-------------|
| Total The Harrisburg Authority | 266,905,000 |
|--------------------------------|-------------|

|   |              |
|---|--------------|
| Less: Deferred loss on refunding and unamortized discount | (86,625,367) |
|---|--------------|

|                              |                      |
|------------------------------|----------------------|
| Net The Harrisburg Authority | <u>\$180,279,633</u> |
|------------------------------|----------------------|

**CITY OF HARRISBURG, PENNSYLVANIA**  
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**Harrisburg Parking Authority**

**Revenue Bonds**

|  |                      |
|--|----------------------|
| 5.35% - 6.05%, Series F Bonds, dated January 1, 1993, consisting of serial bonds due at various dates through November 15, 2008 in annual installments of various amounts and term bonds maturing November 15, 2010 through November 15, 2016. | \$ 7,735,000         |
| 6.30% - 6.55%, Series G Bonds, dated February 15, 1994, consisting of serial bonds maturing at various dates through May 15, 2004 in semiannual installments of various amounts.   | 2,905,000            |
| 4.75% - 5.00%, Series H Bonds, dated February 15, 1994, consisting of serial bonds maturing at various dates through August 1, 2010 in semiannual installments of various amounts and term bonds maturing August 1, 2013 and 2016.             | 17,350,000           |
| 4.00%, Series K Bonds, dated June 1, 2000, consisting of serial bonds maturing December 2023 and December 2024.  | 11,800,000           |
| 2.80% - 5.00% Series J Bonds, dated September 1, 2001, consisting of serial bonds maturing from September 1, 2003 to September 1, 2022 in annual installments of various amounts.  | 29,400,000           |
| 3.00% - 5.75% Guaranteed Parking Revenue Bonds Series, dated December 15, 2001, consisting of serial bonds maturing from May 15, 2003 to May 15, 2025 in annual installments of various amounts.   | 19,500,000           |
| 6.50% Office Revenue Bonds Series, dated December 15, 2001, consisting of serial bonds maturing from May 15, 2004 to May 15, 2025 in annual installments of various amounts.   | <u>3,500,000</u>     |
| Total Harrisburg Parking Authority   | 92,190,000           |
| Less: Deferred loss on refunding and unamortized discount  | <u>(3,875,287)</u>   |
| Net Harrisburg Parking Authority   | <u>\$ 88,314,713</u> |
| Total component unit bonds payable   | <u>\$268,594,346</u> |

In December 2001, The Harrisburg Authority sold the Seventh Street Facility to the Harrisburg Parking Authority for \$19,740,000. A portion of the proceeds were placed in an irrevocable trust with an escrow agent to provide for the future debt service on the 1998 Seventh Street Bonds, Series A and B. These bonds are considered defeased and are no longer an outstanding liability.

In May 2001, The Harrisburg Authority issued Series 2001 A, Water Revenue Bonds, which totaled \$7,400,000. The proceeds of the 2001 Bonds, after additions for bond premiums of \$92,200 and deduction of issuance costs of \$415,855, are \$7,076,345. The proceeds of the 2001 Bonds are to be used for and toward capital additions to the water system, consisting of two 5 million gallon concrete water storage tanks, repair or replacement of raw water valve stems and valve stem guides within the intake tower at the Authority's DeHart Dam facility, repair or replacement of the concrete floor slabs and expansion joints constituting the DeHart Dam spillway and certain other miscellaneous capital projects; provision of funding for completion of the 1999 capital project, consisting of the acquisition and installation of new meters equipped with radio transmitters and installation of radio-frequency, drive-by meter reading system; the



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establishment of necessary reserves under the Trust Indenture; and the payment of costs and expenses associated with the issuance of the 2001 Bonds.

The Harrisburg Authority entered into four debt service forward delivery agreements with a financial intermediary that resulted in a forward swap of interest earned on amounts placed in the debt service sinking fund. In exchange for cash payments at the inception of the agreements totaling approximately \$4,914,000, the financial intermediary has the right to invest the funds on hand in the sinking fund and retain the investment earnings. The amounts received were recorded as deferred revenue in The Harrisburg Authority's financial statements because the substance of these agreements effectively is to pay The Harrisburg Authority currently for interest that normally would be earned in later years. The deferred revenue resulting from these transactions of \$3,511,824 at December 31, 2001, is being amortized over the respective life of each agreement under a method that approximates the interest method.

In October 1999, The Harrisburg Authority entered into a forward bond purchase agreement that states that The Harrisburg Authority will issue \$49,725,000 of Water Revenue Refunding Bonds, Series A in June 2003. The proceeds of the 2003 Bonds, after deductions for bond discounts and issuance costs of \$1,690,990, will be placed in an irrevocable trust with an escrow agent to provide for payment of the redemption price of the Water Revenue Bonds, Series B-1 with maturities subsequent to 2003, and the Water Revenue Bonds, Series B-2 and B-3 of 1993. These bonds will be considered defeased and no longer will be an outstanding liability. The Series 2003 Bonds will carry an interest rate of 6.50%; principal payments are to begin in July 2024 and will fully mature in July 2029.

In 2001, the Harrisburg Parking Authority issued the "Guaranteed Parking Revenue Bonds, Series J of 2001" (Series J Bonds) in the aggregate principal amount of \$29,400,000 (plus an original issue premium of \$174,804 and accrued interest of \$71,090) with interest rates ranging from 2.80% to 5.00% to advance refund \$25,785,000 of outstanding Series I Bonds with interest rates ranging from 4.50% to 6.15%. The net proceeds of \$28,626,025 (after payment of \$622,136 in issuance costs and deposits of \$347,251 to the Debt Service Reserve Fund for the Series J Bonds and \$50,482 to the Series J Debt Service Account), were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series I Bonds. As a result, the Series I Bonds are considered to be defeased and the liability for those bonds has been removed from the Harrisburg Parking Authority's balance sheet. As of December 31, 2001, \$25,785,000 of Series I Bonds outstanding are considered defeased.

The Series I refunding resulted in a difference between the reacquisition price and net carrying amount of old debt of \$3,494,130 (the deferred amount). The deferred amount, reported on the balance sheet as a deduction against Bonds and Notes Payable, is being amortized as a component of interest expense through the year 2022 using the stated interest method. The difference between the present value of the Series I and Series J debt service requirements was \$431,529.

In 2001, the Harrisburg Parking Authority issued the "Guaranteed Parking Revenue Bonds, Series of 2001" in the aggregate principal amount of \$19,500,000 (less an original issue discount of \$37,590) with interest rates ranging from 3.00% to 5.75% to provide for the acquisition of the Seventh Street Garage; funding of a debt service reserve fund under the Harrisburg Parking Authority indenture; and the payment of the costs of issuing the bonds.

In 2001, the Harrisburg Parking Authority issued the "Commonwealth Lease Office Revenue Bonds, Series of 2001" in the aggregate principal amount of \$3,500,000 (less an original issue discount of \$200,340) with an interest rate of 6.50% to provide for the acquisition of office

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buildings related to the Seventh Street Garage; funding of a debt service reserve fund under the Harrisburg Parking Authority indenture; and the payment of the costs of issuing the bonds.

The Harrisburg Parking Authority has entered into a debt service forward delivery agreement with a financial intermediary that results in a forward swap of interest earned on amounts placed in the debt service sinking fund. In exchange for cash payments at the inception of the agreement totaling \$558,584, the financial intermediary has the right to invest the funds on hand in the sinking fund and retain the investment earnings. The amount received was recorded as deferred revenue in The Harrisburg Parking Authority's financial statements because the substance of this agreement effectively is to pay The Harrisburg Parking Authority currently for interest that normally would be earned in later years. The deferred revenue resulting from this transaction totaled \$558,584, and is being amortized over the respective life of the agreement under a method that approximates the interest method.

In 2001, The Harrisburg Parking Authority defeased the Series I Bonds by placing the funds in a trust fund with a trustee. The portion of the debt service forward delivery agreement related to Series I was transferred to Series J.

The Harrisburg Parking Authority has entered into a 19-year interest rate swap agreement for their Series I bonds. Based on the swap agreement, the Harrisburg Parking Authority owes interest calculated at a variable rate to the counterparty to the swap. In return, the counterparty owes the Harrisburg Parking Authority interest on a fixed rate that matches the rate required by the bonds. Only the net difference in interest payments was actually exchanged with the counterparty. The Series I bond principal was not exchanged; it was only the basis on which the interest payments were calculated. In order to minimize the risk of interest rate fluctuations, the Harrisburg Parking Authority entered into an interest rate cap agreement for the duration of the interest rate swap agreement.

The Harrisburg Parking Authority paid interest to bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the Harrisburg Parking Authority effectively paid a variable rate on the debt. This agreement was terminated when the bonds were defeased through the issuance of "Guaranteed Parking Revenue Bonds, Series J of 2001".

Debt service requirements for Series F Bonds are payable solely from and are secured by a pledge of (1) all the right, title, and interest of the Harrisburg Parking Authority in and to the Coordinated Parking Fund, (2) all amounts on deposit and investment securities in any fund or account established under the related bond indenture, (3) a guaranty by the City, and (4) a municipal bond insurance policy. Amounts on deposit in the Coordinated Parking Fund are to be transferred to the Debt Service Fund created under the bond indenture and used to make required debt service payments on the Series F Bonds.

Debt service on Series G and Series H Bonds is payable from certain Capital Replacement Reserve Funds held by the Harrisburg Parking Authority established under the Cooperation Agreement.

The Series G and Series H Bonds are also secured by a pledge of (1) all amounts on deposit and investment securities in any fund established under the related bond indenture, (2) the City's guaranty, and (3) a municipal bond insurance policy.

The annual payment of debt service on the Series G and Series H Bonds is subordinated to provision of funds to cover 130% of the debt service on the Harrisburg Parking Authority Series F Bonds and any bonds issued on a parity basis with the Series F Bonds.

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As noted above, the City has guaranteed the payment of debt service on the Harrisburg Parking Authority's bonds and notes pursuant to certain Guaranty Agreements. Concurrent with the execution of the Guaranty Agreements, the Harrisburg Parking Authority also executed certain Reimbursement Agreements with the City whereby the Harrisburg Parking Authority agreed to reimburse the City for any payments made by the City under the aforementioned Guaranty Agreements.

The Harrisburg Parking Authority bond indentures contain certain financial and reporting covenants. At December 31, 2001, management believes that the Harrisburg Parking Authority was in compliance with such covenants.

The annual requirements to amortize all bonds outstanding as of December 31, 2001 are as follows:

|  | General Obligation   |                      | Revenue              |                      | Total                |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | Principal            | Interest             | Principal            | Interest             | Principal            | Interest             |
| Primary Government   |                      |                      |                      |                      |                      |                      |
| 2002   | \$ 7,438,179         | \$ 1,305,648         | \$ 115,000           | \$ 3,651             | \$ 7,553,179         | \$ 1,309,299         |
| 2003   | 7,525,370            | 1,244,059            | -                    | -                    | 7,525,370            | 1,244,059            |
| 2004   | 7,357,376            | 1,409,183            | -                    | -                    | 7,357,376            | 1,409,183            |
| 2005   | 5,859,330            | 1,552,083            | -                    | -                    | 5,859,330            | 1,552,083            |
| 2006   | 5,731,446            | 1,671,157            | -                    | -                    | 5,731,446            | 1,671,157            |
| Thereafter   | 40,551,363           | 32,669,480           | -                    | -                    | 40,551,363           | 32,669,480           |
|  | <u>\$ 74,463,064</u> | <u>\$39,851,610</u>  | <u>\$ 115,000</u>    | <u>\$ 3,651</u>      | <u>\$ 74,578,064</u> | <u>\$ 39,855,261</u> |
| The Harrisburg Authority                                       |                      |                      |                      |                      |                      |                      |
| 2002   | \$ -                 | \$ -                 | \$ 6,385,000         | \$ 7,141,311         | \$ 6,385,000         | \$ 7,141,311         |
| 2003   | -                    | -                    | 5,869,997            | 6,812,764            | 5,869,997            | 6,812,764            |
| 2004   | -                    | -                    | 9,075,000            | 7,404,495            | 9,075,000            | 7,404,495            |
| 2005   | -                    | -                    | 9,455,001            | 6,945,061            | 9,455,001            | 6,945,061            |
| 2006   | -                    | -                    | 10,955,000           | 6,647,356            | 10,955,000           | 6,647,356            |
| Thereafter   | -                    | -                    | 225,165,002          | 53,252,012           | 225,165,002          | 53,252,014           |
|  | -                    | -                    | 266,905,000          | 88,202,999           | 266,905,000          | 88,202,999           |
| Less deferred loss on<br>refunding and unamortized<br>discount | -                    | -                    | (86,625,367)         | -                    | (86,625,367)         | -                    |
| The Harrisburg Authority, net                                  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$180,279,633</u> | <u>\$88,202,999</u>  | <u>\$180,279,633</u> | <u>\$88,202,999</u>  |
| Harrisburg Parking Authority                                   |                      |                      |                      |                      |                      |                      |
| 2002   | \$ -                 | \$ -                 | \$ 1,475,000         | \$ 4,514,686         | \$ 1,475,000         | \$ 4,514,686         |
| 2003   | -                    | -                    | 1,985,000            | 4,517,580            | 1,985,000            | 4,517,580            |
| 2004   | -                    | -                    | 2,415,000            | 4,406,180            | 2,415,000            | 4,406,180            |
| 2005   | -                    | -                    | 2,285,000            | 4,262,271            | 2,285,000            | 4,262,271            |
| 2006   | -                    | -                    | 2,395,000            | 4,150,648            | 2,395,000            | 4,150,648            |
| Thereafter   | -                    | -                    | 81,635,000           | 45,281,602           | 81,635,000           | 45,281,602           |
|  | -                    | -                    | 92,190,000           | 67,132,967           | 92,190,000           | 67,132,967           |
| Less unamortized discount                                      | -                    | -                    | (3,875,287)          | -                    | (3,875,287)          | -                    |
| Harrisburg Parking<br>Authority, net                           | <u>-</u>             | <u>-</u>             | <u>88,314,713</u>    | <u>67,132,967</u>    | <u>88,314,713</u>    | <u>67,132,967</u>    |
| Total  | <u>\$ 74,463,064</u> | <u>\$ 39,851,610</u> | <u>\$268,709,346</u> | <u>\$155,339,617</u> | <u>\$343,172,410</u> | <u>\$195,191,227</u> |

**CITY OF HARRISBURG, PENNSYLVANIA**  
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**11. DEFEASANCE OF DEBT**

The City and its component units defeased general obligation and other bonds in prior years by placing the proceeds of net bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2001, the following bonds outstanding are considered defeased:

|   |                      |
|---|----------------------|
| City of Harrisburg  |                      |
| General Obligation Bonds, Series B of 1979                      | \$ 4,985,000         |
| General Obligation Bonds, Series of 1984                        | 3,255,000            |
| General Obligation Bonds, Series A of 1995                      | 35,415,000           |
| General Obligation Bonds, Series B-1 of 1997                    | 22,180,000           |
| The Harrisburg Authority  |                      |
| Guaranteed Sewer Revenue Bonds, Series of 1978                  | 4,065,000            |
| Water Revenue Bonds, Series of 1992                             | 31,990,000           |
| Water Revenue Bonds, Series A of 1993                           | 7,830,000            |
| Water Revenue Bonds, Series B-1 of 1993                         | 5,645,000            |
| Resource Recovery Revenue Bonds, Series A and B of 1993         | 34,165,000           |
| Resource Recovery Revenue Bonds, Series B of 1998               | 3,205,000            |
| Resource Recovery Revenue Bonds, Series D of 1998               | 5,860,000            |
| Seventh Street Office & Parking Revenue Bonds, Series A of 1998 | 17,065,000           |
| Seventh Street Office & Parking Revenue Bonds, Series B of 1998 | 6,185,000            |
| Harrisburg Parking Authority                                    |                      |
| Harrisburg Parking Authority, Series D Bonds                    | 7,085,000            |
| Harrisburg Parking Authority, Series I of 1998                  | <u>25,785,000</u>    |
|   | <u>\$214,715,000</u> |

**12. NOTES PAYABLE**

The City of Harrisburg entered into various promissory notes under Section 108 of the Housing and Community Development Act of 1974 (Public Law 93-383), as amended. The proceeds from the notes are provided to the Redevelopment Authority of the City of Harrisburg to administer acquisition, relocation and clearance of City properties on behalf of the City.

As collateral, the City of Harrisburg pledged all grants approved or for which the City may become eligible under Title I of the Housing and Community Development Act of 1974, as amended, and program income derived from disposition by sale or lease of any real property to the extent acquired or rehabilitated with the guaranteed loan funds, including any interest earned on such disposition proceeds.

Interest payments are required to be made to the Federal Financing Bank on the daily unpaid principal balances.

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The composition of promissory notes outstanding under Section 108 (included in the Long-Term Debt Account Group) at December 31, 2001 is as follows:

|   |                  |
|---|------------------|
| 7.14% - 7.38%, Section 108 Note, dated December 22, 1992, interest payable semiannually and principal payable in annual installments of \$90,000 to \$115,000, through August 1, 2005, to be serviced through general revenues of the City. | \$ 410,000       |
| 7.02%, Section 108 Note, dated May 13, 2000, interest payable semiannually and principal payable in annual installments of \$45,000 to \$300,000, through August 1, 2018, to be serviced through general revenues of the City.              | <u>3,355,000</u> |
|   | <u>3,765,000</u> |

The composition of notes payable included in the primary government at December 31, 2001 is as follows:

|   |                             |
|---|-----------------------------|
| 4.15% - 5.52%, General Obligation Refunding Notes, Series F of 1997, dated December 30, 1997, principal payable in semi-annual installments of \$5,000 to \$2,566,215 beginning September 15, 1999 through September 15, 2022, to be serviced through general revenues of the City. | 32,365,133                  |
| 4.90% - 5.15%, Guaranteed Lease Revenue Notes of 1997, principal payable through September 1, 2004, to be serviced through rental payments of the City.   | <u>300,000</u>              |
|   | <u>32,665,133</u>           |
| Total primary government notes payable  | <u><u>\$ 36,430,133</u></u> |

The composition of notes payable included in the component units at December 31, 2001 is as follows:

|  |                             |
|--|-----------------------------|
| 1.536% - 6.20%, The Harrisburg Authority, 1998 Guaranteed Sewer Revenue Notes, Series A, B, and C, payable through 2018, to finance projects related to the sewer collection system.   | \$ 2,985,002                |
| 5.50%-8.05%, The Harrisburg Authority, 2000 Guaranteed Resource Recovery Notes, Series A and B payable beginning 2015 through 2025, to fund acquisition of equipment and engineering studies, advance refund of a portion of the 1998 Series B and D Resource Recovery Revenue bonds, refund debt service on 1998 Resource Recovery Bonds due in 2001 and to fund working capital. | <u>25,195,000</u>           |
|  | 28,180,002                  |
| Less: Unamortized discount   | <u>(458,951)</u>            |
| Total component units notes payable  | <u><u>\$ 27,721,051</u></u> |

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The annual requirements to amortize all notes payable outstanding as of December 31, 2001 are as follows:

| Year Ending December 31,        | General Long-Term Debt |                      |
|---------------------------------|------------------------|----------------------|
|                                 | Principal              | Interest             |
| <b>Primary Government</b>       |                        |                      |
| 2002                            | \$ 325,000             | \$ 262,496           |
| 2003                            | 350,000                | 251,089              |
| 2004                            | 365,000                | 239,215              |
| 2005                            | 1,456,627              | 432,369              |
| 2006                            | 1,291,970              | 476,558              |
| Thereafter                      | 32,641,536             | 36,628,585           |
|                                 | <u>\$ 36,430,133</u>   | <u>\$ 38,290,312</u> |
| <b>The Harrisburg Authority</b> |                        |                      |
|                                 | Principal              | Interest             |
|                                 |                        |                      |
| <b>Component Units</b>          |                        |                      |
| 2002                            | \$ 139,453             | \$ 2,007,612         |
| 2003                            | 140,317                | 2,059,107            |
| 2004                            | 143,302                | 2,104,647            |
| 2005                            | 150,715                | 2,093,508            |
| 2006                            | 144,314                | 2,082,553            |
| Thereafter                      | 27,461,901             | 30,882,458           |
|                                 | 28,180,002             | 41,229,885           |
| Less unamortized discount       | (458,951)              | -                    |
|                                 | <u>\$ 27,721,051</u>   | <u>\$ 41,229,885</u> |

### 13. LEASES

***Future Lease Rentals Payable to Component Unit***

On October 1, 1984, the City entered into a supplemental lease agreement pursuant to the refunding of The Harrisburg Authority's Guaranteed Sewer Revenue Bonds, Series of 1978. The 1984 Second Supplemental Agreement of Lease provides for rental payments in an amount sufficient to retire bonds issued to finance the cost of major construction improvements to the sewage conveyance and treatment system. Also included are interest and administrative costs of The Harrisburg Authority.

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On January 15, 1988, the City entered into a Third Supplemental Agreement of Lease and a Collection System Lease pursuant to the issuance of The Harrisburg Authority's Sewer Revenue Bonds, Series A and B of 1988. The Third Supplemental Agreement of Lease was entered into providing for rental payments in an amount sufficient to retire bonds issued to finance the Series A Project relating to the sewage conveyance and treatment system. The Collection System Lease was entered into providing for rental payments in an amount sufficient to retire bonds issued to finance the Series B Project relating to the sewage collection system.

In accordance with the lease agreements, the City is required to make the following minimum annual lease rental payments:

| Lease year ending December 31,              | Basic<br>Lease<br>Rental | Authority<br>Administrative<br>Expense | Total                |
|---|--------------------------|--|----------------------|
| 2002  | \$ 1,859,960             | \$ 100,000                             | \$ 1,959,960         |
| 2003  | 1,859,003                | 100,000                                | 1,959,003            |
| 2004  | 1,861,450                | 100,000                                | 1,961,450            |
| 2005  | 1,858,356                | 100,000                                | 1,958,356            |
| 2006  | 1,855,222                | 100,000                                | 1,955,222            |
| 2007 through 2012                           | <u>9,287,900</u>         | <u>340,000</u>                         | <u>9,627,900</u>     |
| Total minimum lease payments                | 18,581,891               | <u>\$ 840,000</u>                      | <u>\$ 19,421,891</u> |
| Less amount representing interest           | <u>(5,841,186)</u>       |  |                      |
| Present value of net minimum lease payments | <u>\$ 12,740,705</u>     |  |                      |

The net book value of equipment held under capital leases included in property, plant and equipment was \$14,301,697 at December 31, 2001. In addition, the Sewer Fund has capital lease proceeds receivable totaling \$3,838,551 at December 31, 2001, which represent funds available for future capital improvements to the sewage conveyance, treatment and collection systems under the lease agreements. Capital improvements to these systems under the lease agreements were \$1,181,515 during 2001.

The City is required under the terms of the Second Supplemental Agreement of Lease, the Third Supplemental Agreement of Lease and Collection System Lease to make additional rental payments within 180 days after the end of each year, equal to excess funds in the Sewer Fund as defined in the respective lease agreements. Excess funds at December 31, 2001 were \$173,890.

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***Capitalized Lease Obligations***

The City leases certain equipment and infrastructure under long-term lease agreements which are classified as capital leases. As of December 31, 2001, the General Fixed Asset Account Group and the enterprise funds include equipment and furniture under capital leases of \$1,631,670 and \$224,630, respectively. The future minimum payments under capital leases and the present value of the new minimum lease payments at December 31, 2001 are as follows:

| Year ending December 31,                       | General<br>Long-Term<br>Debt | Enterprise<br>Funds | Total               |
|--|------------------------------|---------------------|---------------------|
| 2002   | \$ 1,654,764                 | \$ 50,670           | \$ 1,705,434        |
| 2003   | 1,677,195                    | 50,671              | 1,727,866           |
| 2004   | 1,541,940                    | 50,671              | 1,592,611           |
| 2005   | 1,541,932                    | 50,671              | 1,592,603           |
| 2006   | 1,541,914                    | 50,671              | 1,592,600           |
| Thereafter                                     | 3,651,914                    | -                   | 3,651,914           |
| Total minimum lease payments                   | 11,609,674                   | 253,354             | 11,863,028          |
| Less amount representing interest              | (2,221,610)                  | (28,724)            | (2,250,334)         |
| Present value of future minimum lease payments | <u>\$ 9,388,064</u>          | <u>\$ 224,630</u>   | <u>\$ 9,612,694</u> |

**14. PENSION PLAN**

***Plan Description***

The City has five defined benefit pension plans. Four of the plans, Non-uniformed Employees Plans A and B, Firemens' Plans A and B, are controlled by provisions of Ordinances-Bill Nos. 49 and 47-1984, respectively, adopted pursuant to Act 15. For these plans, the City contributes to the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer Public Employees Retirement System (PERS). The remaining plan, the Combined Police Pension Plan, was established January 1, 1999 under Ordinance-Bill No. 44-1998. This ordinance withdrew the Police Officers' Plan A and Police Officers' Plan B from PMRS, and established an amended and restated pension plan for police officers of the City. The combined Police Pension Plan is a single-employer pension plan and is controlled by a separate independent board of trustees.

The plans have been established to cover substantially all full-time employees. Employees become eligible for participation in a plan immediately upon employment and become fully vested after 20 years of service for City A plans, 10 years for City B plans and 20 years for the Combined Police Pension Plan. The plans have been established by City ordinance in accordance with the authority for municipal contributions required by Act 205-1984 (Act 205) of the Pennsylvania legislature, as amended by Act 189-1990. The plans require covered employees to contribute a percentage of total compensation.

PMRS issues publicly available financial reports that include financial statements and required supplementary information. The PMRS report may be obtained by writing to Pennsylvania



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Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

In addition, the City of Harrisburg Police Pension Board issues a separate publicly available financial report that includes financial statements and required supplementary information for the Combined Police Pension Fund. That report may be obtained by writing to the City of Harrisburg Police Pension Board, The Reverend Dr. Martin Luther King, Jr. City Government Center, 10 North Second Street, Harrisburg PA 17101 or by calling 717-255-6507.

The benefits provided by the plans differ by employment group and are based upon average compensation and length of service. Normal benefits are calculated at 2.5% and 2% per year of credited service multiplied by the final average annual salary for the Non-uniformed Employees' A, Combined Police Officers' and Firemens' A plans, and Firemens' B plan, respectively. In no case may the benefit exceed 50% of the final average annual salary. The benefits provided by the Non-uniformed Employees' B plan are calculated at 1.7% per year of credited service multiplied by the final average annual salary.

The plans provide retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plans.

In addition, Non-uniformed Employees' Plan A and Firemens' Plan A are closed to new entrants.

***Funding Policy***

Act 205 requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's annual actuarial valuation.

Contributions by the City are determined under the entry age normal method. Unfunded past service liability is amortized over the average future service of active participants.

Employee contributions to the plan are based on a percentage of compensation. Non-uniformed employees are required to contribute 4-6.5% and 5.0% of annual compensation for plans A and B, respectively, while fire and police employees contribute 5% of annual compensation regardless of plan membership. An interest rate of 6.5% is applied to the non-uniformed and fire employees accounts. Employees' accumulated contributions plus interest (if applicable) will be returned upon termination or death if no other benefits are payable under the plan. The plans are also eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

The Commonwealth of Pennsylvania allocates foreign fire and casualty insurance premium collections to aid individual municipalities. The monies received must be contributed to the pension plans or used to pay debt service on unfunded pension liability bonds. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. Since 1996, the State's allocation exceeded the City's statutory funding requirement. Therefore, the City reflects no employer contributions to its pension plans during 2001. State aid received in excess of the City's statutory funding requirement was not deposited to the pension plans but was utilized to fund debt service on the City's unfunded pension liability general obligation bonds issued in 1995 in accordance with Act 205 as amended.

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The City had been participating in Level III of the State Act 205 Pension Plan Recovery Program, utilizing the 15-year delayed implementation of funding standard provision and amortizing the unfunded actuarial accrual liabilities under its pension plans established at January 1, 1985, over 40 years on the basis of level percentage of future payroll amortization. Prior to 1996, the allocation of general municipal pension system state aid the City received under Act 205 was based upon the City's costs of its pension plans since this amount was less than the amount determined under the unit value calculation.

In an effort to increase the amount of general municipal pension system state aid received by the City for its pension plans, the City passed a resolution in December 1995, to rescind its prior election to amortize the unfunded actuarial accrued liabilities of its plans established at January 1, 1985, over 40 years using level percentage of payroll amortization, and began amortizing these amounts over 30 years using level dollar amortization. The January 1, 1996 actuarial valuation of the pension plan was prepared on the basis of 30-year level dollar amortization. The 1996 State aid received by the City was based upon the January 1, 1995 actuarial valuation reports which reflected 40-year level percentage of payroll amortization. The 1997 State aid received by the City was based upon the January 1, 1996 actuarial valuation reports using 30-year level dollar amortization.

Also, the City contributed \$60,626 in 1995 in addition to its statutory funding requirement, or MMO payments, in order to satisfy the full MMO for each plan in 1995 without regard to the 15-year phase-in provision. This allowed the City to determine the MMO's for its plans for 1996 without utilizing the delayed implementation of funding standard provision which required that the City make a contribution in 1996 to each plan which was at least equal to the contribution made by the City to each plan during 1995. This reduced the total MMO for each of the City's "A" plans beginning in 1996.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

***Annual Pension Cost and Net Pension Obligation***

The City's annual pension cost and net pension obligation to the Plans at January 1, 2001 are as follows:

|  | Non-Uniformed Employees' |        | Firemens' |            | Police Officers' |
|--|--------------------------|--------|-----------|------------|------------------|
|  | Plan A                   | Plan B | Plan A    | Plan B     | Combined         |
| Annual required contribution               | \$ -                     | \$ -   | \$ -      | \$ 188,199 | \$ 310,040       |
| Contributions made                         | -                        | -      | -         | (188,199)  | (310,040)        |
| Change in net pension obligation           | -                        | -      | -         | -          | -                |
| Net pension obligation – beginning of year | -                        | -      | -         | -          | -                |
| Net pension obligation – December 31, 2001 | \$ -                     | \$ -   | \$ -      | \$ -       | \$ -             |

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*Three Year Trend Information*

| <u>Non-Uniformed Employees' – Plan A</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|--|--|--|-----------------------------------|
| December 31, 1999                        | \$ -                                     | - %  | \$ -                              |
| December 31, 2000                        | -  | -  | -                                 |
| December 31, 2001                        | -  | -  | -                                 |

| <u>Non-Uniformed Employees' – Plan B</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|--|--|--|-----------------------------------|
| December 31, 1999                        | \$ 331,115                               | 100%   | \$ -                              |
| December 31, 2000                        | 267,206                                  | 100  | -                                 |
| December 31, 2001                        | -  | -  | -                                 |

| <u>Firemens' – Plan A</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|---------------------------|--|--|-----------------------------------|
| December 31, 1999         | \$ -                                     | - %  | \$ -                              |
| December 31, 2000         | -  | -  | -                                 |
| December 31, 2001         | -  | -  | -                                 |

| <u>Firemens' – Plan B</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|---------------------------|--|--|-----------------------------------|
| December 31, 1999         | \$ 223,568                               | 100%   | \$ -                              |
| December 31, 2000         | 167,966                                  | 100  | -                                 |
| December 31, 2001         | 188,199                                  | 100  | -                                 |

| <u>Police Officers' – Combined</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|------------------------------------|--|--|-----------------------------------|
| December 31, 1999                  | \$ 466,435                               | 100%   | \$ -                              |
| December 31, 2000                  | 469,959                                  | 100  | -                                 |
| December 31, 2001                  | 310,040                                  | 100  | -                                 |

The annual required contribution for the current year was determined as part of the January 1, 1999 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions for the Non-Uniformed Employees' Plan and Firemens' Plan include (a) a 6.50% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.20% per year. The actuarial assumptions for the combined Police Pension Fund include (a) an 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. The assumptions do not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value of assets is determined using market values determined by the trustee.

## **15. RESERVES OF FUND EQUITY**

The City records two general types of reserves. One type is used to indicate that a portion of fund equity is legally segregated for a specific future use. The second type of reserve is used to indicate that a portion of the fund equity is not appropriable for expenditures. Reserves used by the City are as follows:

### *Governmental Funds*

**Reserved for advances** – An account used to indicate that long-term advances to other funds do not represent available, spendable resources even though they are a component of assets.

**Reserved for capital outlay** – An account used to segregate a portion of fund balance for assets restricted under terms of bond indentures for the acquisition of capital assets.

**Reserved for encumbrances** – An account used to segregate a portion of fund balance for expenditure upon vendor performance.

**Reserved for debt service** – An account used to segregate a portion of fund balance for assets restricted to the payment of general long-term obligation principal and interest maturing in future years.

**Reserved for police pension benefits** – An account used to segregate a portion of fund balance for assets restricted for police pension benefit payments and withdrawals of qualified distributions for police personnel.

**Reserved for workers' compensation** – An account used to segregate a portion of fund balance for assets restricted for payment of benefits to claimants in accordance with the provisions of the Pennsylvania Workers' Compensation Act.

**Reserved for revolving loan program** – An account used to segregate a portion of fund balance for assets restricted for use by the revolving loan program.

*Proprietary Fund Types*

**Reserved for workers' compensation** – An account used to segregate a portion of retained earnings for assets restricted for payment of benefits to claimants in accordance with the provisions of the Pennsylvania Workers' Compensation Act.

**Reserved for revenue bond construction** – An account used to segregate a portion of retained earnings of the Hydroelectric Dam Fund for net earnings accumulated in restricted trust accounts as a result of delays in construction of the proposed facility. Retained earnings of other enterprise funds are not reserved for restricted assets held in revenue bond construction accounts since such amounts do impact retained earnings.

**16. ACCUMULATED DEFICITS**

The Harrisburg Parking Authority, a component unit, has an accumulated deficit of \$2,789,881. The deficit resulted from losses on the extinguishment of debt in the amount of \$2,549,981 and \$992,836 in 1994 and 1993, respectively. This loss is essentially the cost of carrying old bonds during the escrow period, and is offset by cumulative net income of \$752,936.

The Harrisburg Authority was required to undertake a modernization program for the Resource Recovery Facility to enable the facility to meet Environmental Protection Agency standards to maintain current operations. The cost of the current proposal for the modernization program is estimated to be approximately \$60,000,000. The Harrisburg Authority has reduced capacity of waste incinerated while alternative modernization programs are considered. Based on current improvements and the capacity reduction, the Environmental Protection Agency has extended the modernization program implementation date until 2003. If the facility fails to generate sufficient revenues to pay debt service on the Resource Recovery Facility bonds, Series A, B, C, and D of 1998 or the Resource Recovery Notes, Series A & B of 2000, or ceases revenue generating operations, the City of Harrisburg will be required to pay principal and interest on such bonds and notes when due pursuant to a Guaranty Agreement among the City, The Harrisburg Authority, and the trustee for the bonds and notes. Because a sufficient number of contracts have not been obtained for municipal solid waste, the Resource Recovery Fund has incurred substantial losses in past years. Those losses have caused the Fund to experience cash flow difficulties.

The Water, Resource Recovery, and Working Capital segments of The Harrisburg Authority have accumulated deficits at December 31, 2001 of \$6,287,873, \$21,451,717, and \$513,048, respectively. The deficits are primarily due to the Authority not charging enough to cover depreciation expense incurred since acquisition and not funding amortization of bond discounts, deferred bond issuance costs and deferred losses on refundings. Management plans to reduce the Water, Seventh Street and Working Capital segment deficits through profitability improvements. The Resource Recovery segment deficit should be reduced through obtaining additional waste conversion contracts obtained as a result of its modernization program.

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In 1993, The Harrisburg Authority purchased the Resource Recovery Facility from the City. In consideration, The Harrisburg Authority paid the City approximately \$30 million. The Agreement of Sale allows for a maximum purchase price of \$55 million, with the final purchase price to be based on the financial capability of the Resource Recovery Facility. The balance of the purchase price is to be paid to the City out of proceeds of the subsequent additional financing which will also fund the improvements necessary to modernize the facility as discussed above, if sufficient contracts are entered into by the Authority to justify the additional debt.

During 1996, the City of Harrisburg acquired all the outstanding stock of the Harrisburg Civic Baseball Club, Incorporated (Senators) for approximately \$7,000,000. This acquisition resulted in the City's ownership of the franchise rights of the Harrisburg Senators, an AA minor league baseball team, operated and managed by the Montreal Expos. The activity related to the Senators is accounted for in the Harrisburg Senators Enterprise Fund, contained in the City's proprietary funds, and resulted in a retained deficit of \$3,772,598 caused mainly by the amortization of the franchise fee. In order to eliminate the accumulated deficit, the City has implemented the following measures to increase attendance and the related revenues to the City:

- Improvements to the stadium where the Senators currently operate
- Increase the amount of parking available to participants by allowing free parking in City owned garages
- Construct a new parking garage on City Island resulting in a net gain of 244 parking spaces for the 2002 season
- Continue efforts to maximize advertising, concession and ticket revenue

The City may sell part or full ownership of the franchise if a suitable buyer is identified. Recent sales of comparable AA franchises indicate that the value of the franchise has increased since its purchase and its current value exceeds the outstanding debt. It is anticipated that the funds raised through the sale will be sufficient to eliminate the level of outstanding debt, and consequently the amount of interest expense.

**17. SEGMENT INFORMATION – PRIMARY GOVERNMENT AND COMPONENT UNITS**

The City operates a sewer system and provides refuse collection (sanitation) in addition to operating an incinerator/steam generating facility for The Harrisburg Authority, a component unit. The City is also involved in a proposed hydroelectric dam facility. The sewer system is primarily supported by user charges, as is the City's refuse collection. The incinerator/steam generating facility is used for the conversion of steam into electricity. The Harrisburg Authority has an energy purchase contract whereby all electricity generated is purchased by a local utility.

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Condensed financial information for each of these activities is as follows:

|   | Sewer        | Sanitation   | Hydroelectric<br>Dam | Harrisburg<br>Senators<br>Enterprise<br>Fund | Total<br>Primary<br>Government |
|---|--------------|--------------|----------------------|--|--------------------------------|
| Total assets  | \$51,410,428 | \$ 2,074,484 | \$18,918,894         | \$ 5,574,418                                 | \$77,978,224                   |
| 2001 acquisition of fixed<br>assets, net                | 89,738       | 224,630      | -                    | -  | 341,368                        |
| Net working capital (deficit)                           | 3,186,563    | 418,162      | (233,969)            | (1,362,016)                                  | 2,008,740                      |
| Total long-term debt payable<br>from operating revenues | 396,055      | 285,326      | -                    | 7,985,000                                    | 8,666,381                      |
| Total equity (deficit)                                  | 34,152,816   | 966,209      | 18,578,265           | (3,772,598)                                  | 49,924,692                     |
| Operating revenues                                      | 11,039,252   | 3,611,806    | -                    | 248,688                                      | 14,899,746                     |
| Operating expenses                                      | 10,779,391   | 2,754,558    | 158,628              | 37,387                                       | 13,729,964                     |
| Depreciation  | 1,767,391    | 187,952      | 145                  | 37,387                                       | 1,992,875                      |
| Operating income (loss)                                 | 259,861      | 857,248      | (158,628)            | 211,301                                      | 1,169,782                      |
| Operating grants  | 272,593      | 100,117      | -                    | -  | 372,710                        |
| Interest and amortization<br>expense                    | (1,264,135)  | (2,570)      | -                    | (968,123)                                    | (2,234,828)                    |
| Total nonoperating revenues<br>(expenses), net          | (766,698)    | 126,426      | 2,166                | (968,123)                                    | (1,606,229)                    |
| Operating transfers in                                  | -            | -            | 175,000              | 394,771                                      | 569,771                        |
| Operating transfers out                                 | -            | (1,112,595)  | -                    | -  | (1,112,595)                    |
| Net income (loss)                                       | (506,837)    | (128,921)    | 18,538               | (362,051)                                    | (979,271)                      |

The Harrisburg Authority maintains five enterprise funds. The Water fund accounts for provision of basic water service to customers of the Harrisburg Water System. The Sewer Fund accounts for the leasing of the sewer system to the City under a direct financing lease. The Resource Recovery Fund accounts for the activities at the Harrisburg Steam Generating Facility (Facility) which converts waste into energy. The Seventh Street Fund accounts for the activity associated with its rental facilities. The Working Capital Fund accounts for all other activities of the Authority not accounted for in the other three funds. Selected segment information as of and for the year ended December 31, 2001, is as follows (in thousands):

|  | Water     | Sewer  | Resource<br>Recovery | Seventh<br>Street | Working<br>Capital | Total     |
|--|-----------|--------|----------------------|-------------------|--------------------|-----------|
| Operating revenues                     | \$ 14,044 | \$ 100 | \$ 6,594             | \$ 2,244          | \$ 600             | \$ 23,582 |
| Depreciation                           | 1,880     | -      | 960                  | 269               | -                  | 3,109     |
| Amortization                           | 378       | 67     | 522                  | 21                | -                  | 988       |
| Operating income<br>(loss)             | 3,176     | -      | (1,913)              | 1,710             | 92                 | 3,065     |
| Net (income) loss                      | (2,355)   | 239    | (6,362)              | 1,511             | (20)               | (6,987)   |
| Fixed asset additions                  | 6,792     | -      | 656                  | 124               | -                  | 7,572     |
| Fixed asset deletions                  | -         | -      | -                    | (17,186)          | -                  | (17,186)  |
| Total assets                           | 110,880   | 48,536 | 47,771               | 1,358             | 2,334              | 210,879   |
| Bonds outstanding and<br>notes payable | 113,186   | 28,633 | 38,461               | -                 | -                  | 180,280   |
| Retained earnings<br>(deficit)         | (6,288)   | 12,512 | (21,451)             | 1,332             | (513)              | (14,408)  |

## **18. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate losses as a result of these transactions.

### **Federal and State**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

### **Construction Commitments**

The City has contractual commitments for engineering and licensing related to the demolition and rehabilitation of City properties of approximately \$767,316.

As of December 31, 2001, The Harrisburg Authority has commitments of approximately \$1,176,000 under contracts for improvements to the waste water treatment, conveyance and collection systems.

As of December 31, 2001, Harrisburg Parking Authority is constructing the second of three new garages. Harrisburg Parking Authority has remaining obligations of \$5,402,831 at December 31, 2001.

### **Downtown Coordinated Parking Fund**

Parking revenue generated from on-street parking meters and City-owned surface lots, both net of expenses, are deposited to the Downtown Coordinated Parking Fund (CPF). The "Cooperation Agreement for Downtown Coordinated Parking System," dated June 27, 1984, as amended and restated on December 3, 1991, as further amended on March 16, 1994, requires the Harrisburg Parking Authority (HPA) to deposit at least quarterly the new revenues from the garages, parking meters, city lots and any unrestricted administrative fund balance into the Coordinated Parking Fund. The CPF currently secures the HPA Series F Bonds of 1993. Any excess fund balance is transferred to the City of Harrisburg annually. During the year, the City received a refund of \$2,230,000 representing excess amounts deposited into the system for 2001.

### **Guarantees**

The City is contingently liable under various agreements which guarantee debt of entities not included in the primary government's financial statements aggregating \$213,952,114 at December 31, 2001, and maturing at various dates through 2025. Of the \$213,952,114, \$160,090,002 is for guarantees of component unit debt.

During the year ended December 31, 2001, The Harrisburg Authority guaranteed a line-of-credit on behalf of the National Civil War Museum. The maximum amount available under the line-of-credit is \$500,000. As required by the agreement, \$501,434 has been placed in a separate account and this amount is included on the balance sheet as restricted cash and cash equivalents.



**Postretirement Benefits**

The City provides postretirement healthcare benefits to all retirees. The benefit provisions and the City's obligation to pay those benefits are established under the labor contracts in effect at the time of the employees' retirement. Benefits paid to Non-Uniform and Police and Fire retirees are 50% and 100% of claims respectively. Benefit costs paid to 226 retirees for the year ended December 31, 2001 were approximately \$1,069,063. The City pays costs related to postretirement benefits when due.

**Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require the Authority to properly close and place a final impermeable cover on its Ash Residue Disposal Landfills when they no longer accept waste, and to perform certain ongoing maintenance and monitoring activities at the site for up to thirty years after closure. The estimated total current cost of closure and postclosure care costs is \$1,670,206. This estimate is based on an agreement with the Commonwealth of Pennsylvania pursuant to state regulations and is subject to change with inflation, deflation, technology, or applicable laws and regulations. The Authority has accrued \$1,385,191 landfill closure and postclosure care costs as of December 31, 2001, which represents the use of 83% of the estimated capacity of the disposal area. The remaining \$285,015 of postclosure care costs will be recorded in future periods. Based on current annual usage, the estimated remaining life of the land fill is approximately three years.

The Authority also is required by state regulations and its permit to make quarterly payments of \$30,014 to the Consolidated Closure Trust for ten years. The Authority is in compliance with those requirements and, as of December 31, 2001, cash and investments of \$1,648,633 are held for closure and postclosure care expenses. Those funds are reported as restricted assets in the balance sheet.

**19. COMPLIANCE**

Management of the City believes that the City has complied, in all material respects, with all applicable finance related legal and contractual provisions including applicable covenants of bond indentures.

**20. LITIGATION**

The City is involved in several lawsuits arising in the normal course of business. Management believes that none of the litigation outstanding against the City will have a material adverse effect on the financial position of the City at December 31, 2001.

**21. TRANSACTIONS WITH COMPONENT UNIT**

Certain administrative expenses in The Harrisburg Authority are expended on behalf of the City to fund certain projects or acquisitions as directed by the City. The expenses for 2001 were \$2,526,764 and are included as transfers to primary government.

In accordance with the respective Articles 5 of the Second Supplemental Agreement of Lease, as amended by the Third Supplemental Agreement of Lease and the Collection System Lease between The Harrisburg Authority and the City of Harrisburg, Pennsylvania, the City is, at the end of each lease year, required to accumulate amounts in the sewer revenue accounts, after withdrawals for operating expense obligations, until the balance is such that the reserve shall equal the sum of (1) one-half of the lease rental due under the next lease year, and (2) one-half of the annual operating expenses as estimated by the consulting engineers, for the next succeeding lease year.

## **22. CHANGE IN ACCOUNTING PRINCIPLE**

The City adopted GASB *Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions* during the year ended December 31, 2001. The primary purpose of this statement is to address the timing of recognition of nonexchange transactions. Under the new standard, recognition of revenues, assets, expenditures, and liabilities are recognized at a specific time based on the type of nonexchange transaction: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange revenues, and voluntary nonexchange revenues. As a result of adoption of this GASB Statement, there were no material changes to the way in which the City currently recognized its revenues.

## **23. RESTATEMENTS**

Beginning fund balance, budget basis, for the debt service fund has been restated to reflect cash available for debt service appropriation.

Beginning retained earnings of The Harrisburg Authority has been restated to properly reflect the accretion on the 1999 Water Revenue Bonds, Series C, capital appreciation bonds and the amortization on the deferred loss on refunding associated with the same. The financial statements have also been restated to reflect a correction in amounts due under the management agreement for the Resource Recovery Facility. To accurately reflect the accretion and amortization and the amounts due under the management agreement, retained earnings at January 1, has been increased by \$7,832,889.

## **24. SUBSEQUENT EVENTS**

During January 2002, The Harrisburg Parking Authority entered into an agreement to sell a property for a purchase price of \$2 million. The agreement requires a cash payment of \$1.6 million at settlement, with the balance due in 5 annual installments.

During April 2002, The Harrisburg Parking Authority passed a resolution authorizing the appropriate parties to proceed with the acquisition of another parking facility within the central business district and the funding of such acquisition by the issuance of a series of parking revenue bonds.

## **REQUIRED SUPPLEMENTARY SCHEDULES**

**CITY OF HARRISBURG, PENNSYLVANIA**  
**NON-UNIFORMED EMPLOYEES' PENSION PLAN "A"**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress 01/01/92-01/01/01**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (c)<br>Unfunded<br>AAL<br>(UAAL)<br>(b-a) | (d)<br>Funded<br>Ratio<br>(a/b) | (e)<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(c/e) |
|--------------------------------|--|---|---|---------------------------------|---------------------------|---|
| 01/01/92                       | \$ 3,199,062                           | \$ 11,176,556                                     | \$ 7,977,494                              | 28.62%                          | \$ 1,483,617              | 537.71%   |
| 01/01/93                       | 3,570,309                              | 11,220,370  | 7,650,061                                 | 31.82                           | 1,472,126                 | 519.66  |
| 01/01/94                       | 4,445,825                              | 11,428,204  | 6,982,379                                 | 38.90                           | 1,457,869                 | 478.94  |
| 01/01/95                       | 5,828,452                              | 12,914,222  | 7,085,770                                 | 45.13                           | 1,396,158                 | 507.52  |
| 01/01/96                       | 11,618,491 (2)                         | 12,691,679  | 1,073,188                                 | 91.54                           | 1,363,124                 | 78.73   |
| 01/01/97                       | 12,404,551                             | 12,592,782  | 188,231                                   | 98.51                           | 1,265,748                 | 14.87   |
| 01/01/98                       | 12,889,592                             | 12,192,958  | (696,634)                                 | 105.71                          | 1,209,605                 | (57.59)   |
| 01/01/99                       | 14,046,544                             | 12,254,535  | (1,792,009)                               | 114.62                          | 1,194,675                 | (150.00)  |
| 01/01/00                       | 15,343,192                             | 12,122,094  | (3,221,098)                               | 126.57                          | 1,152,827                 | (279.41)  |
| 01/01/01                       | 16,622,899                             | 12,057,738  | (4,565,161)                               | 137.86                          | 1,033,054                 | (441.91)  |

**Schedule of Required Employer Contributions and Other Contributing Entities 1992-2001**

| Year Ended<br>December 31 | (f)<br>Annual<br>Required<br>Contribution<br>(ARC) (1) | Actuarial<br>Valuation<br>Date Basis<br>For ARC | (g)<br>Employer<br>Contribution | (h)<br>State Aid | Percentage<br>Contributed<br>[(g+h) / f] |
|---------------------------|--|---|---------------------------------|------------------|--|
| 1992                      | \$ 637,713   | 01/01/90  | \$ 338,754                      | \$ 298,959       | 100.00%                                  |
| 1993                      | 637,713  | 01/01/91  | 329,458                         | 308,255          | 100.00                                   |
| 1994                      | 637,713  | 01/01/92  | 391,238                         | 246,475          | 100.00                                   |
| 1995                      | 637,713  | 01/01/93  | 6,361,866 (2)                   | 175,847          | 1,025.10                                 |
| 1996                      | -  | 01/01/94  | -                               | -                | -  |
| 1997                      | 74,366   | 01/01/95  | - (3)                           | 74,366           | 100.00                                   |
| 1998                      | 70,520   | 01/01/96  | -                               | 70,520           | 100.00                                   |
| 1999                      | -  | 01/01/97  | -                               | -                | -  |
| 2000                      | -  | 01/01/98  | -                               | -                | -  |
| 2001                      | -  | 01/01/99  | -                               | -                | -  |

- (1) 1992-2001 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited \$5,900,000 to materially satisfy the unfunded actuarial accrued liability for the Non-Uniformed Employees' Pension Plan "A".
- (3) 1997-1998 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**NON-UNIFORMED EMPLOYEES' PENSION PLAN "B"**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress 01/01/92-01/01/01**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (c)<br>Unfunded<br>AAL<br>(UAAL)<br>(b-a) | (d)<br>Funded<br>Ratio<br>(a/b) | (e)<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(c/e) |
|--------------------------------|--|---|---|---------------------------------|---------------------------|---|
| 01/01/92                       | \$ 8,362,546                           | \$ 8,591,828                                      | \$ 229,282                                | 97.33%                          | \$ 10,569,218             | 2.17%   |
| 01/01/93                       | 10,183,653                             | 10,089,780  | (93,873)                                  | 100.93                          | 11,627,582                | (0.81)  |
| 01/01/94                       | 11,638,210                             | 10,945,304  | (692,906)                                 | 106.33                          | 11,587,794                | (5.98)  |
| 01/01/95                       | 13,445,600                             | 10,800,664  | (2,644,936)                               | 124.49                          | 13,106,844                | (20.18)   |
| 01/01/96                       | 15,152,241                             | 12,751,010  | (2,401,231)                               | 118.83                          | 13,474,520                | (17.82)   |
| 01/01/97                       | 18,061,200                             | 14,854,992  | (3,206,208)                               | 121.58                          | 13,860,034                | (23.13)   |
| 01/01/98                       | 21,129,654                             | 16,674,769  | (4,454,885)                               | 126.72                          | 14,427,047                | (30.88)   |
| 01/01/99                       | 25,306,656                             | 17,724,312  | (7,582,344)                               | 142.78                          | 15,388,568                | (49.27)   |
| 01/01/00                       | 30,188,440                             | 20,805,138  | (9,383,302)                               | 145.10                          | 15,863,410                | (59.15)   |
| 01/01/01                       | 35,218,404                             | 24,194,632  | (11,023,772)                              | 145.56                          | 17,408,206                | (63.33)   |

**Schedule of Required Employer Contributions and Other Contributing Entities 1992-2001**

| Year Ended<br>December 31 | (f)<br>Annual<br>Required<br>Contribution<br>(ARC) (1) | Actuarial<br>Valuation<br>Date Basis<br>for ARC | (g)<br>Employer<br>Contribution | (h)<br>State Aid | Percentage<br>Contributed<br>[(g+h) / f] |
|---------------------------|--|---|---------------------------------|------------------|--|
| 1992                      | \$ 400,096   | 01/01/90  | \$ 212,547                      | \$ 187,549       | 100.00%                                  |
| 1993                      | 442,025  | 01/01/91  | 228,345                         | 213,680          | 100.00                                   |
| 1994                      | 470,850  | 01/01/92  | 288,897                         | 181,953          | 100.00                                   |
| 1995                      | 490,817  | 01/01/93  | 365,320 (2)                     | 135,332          | 102.00                                   |
| 1996                      | 471,033  | 01/01/94  | - (3)                           | 471,033          | 100.00                                   |
| 1997                      | 379,890 (4)  | 01/01/95  | -                               | 310,197          | 81.65                                    |
| 1998                      | 413,319  | 01/01/96  | 147,169 (5)                     | 339,807          | 117.82                                   |
| 1999                      | 331,115  | 01/01/97  | -                               | 331,115          | 100.00                                   |
| 2000                      | 267,206  | 01/01/98  | -                               | 267,206          | 100.00                                   |
| 2001                      | -  | 01/01/99  | -                               | -                | -  |

- (1) 1992-2001 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) Includes a \$9,835 contribution in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation, or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.
- (3) 1996, 1999 and 2000 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.
- (4) As amended
- (5) Includes a \$73,657 contribution in excess of the City's statutory funding requirement to satisfy a 1995-96 audit subsequent event finding due to an employee contribution rate assumption error in determining the 1997 minimum municipal obligation.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**FIREMENS' PENSION PLAN "A"**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress 01/01/92-01/01/01**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (c)<br>Unfunded<br>AAL<br>(UAAL)<br>(b-a) | (d)<br>Funded<br>Ratio<br>(a/b) | (e)<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(c/e) |
|--------------------------------|--|---|---|---------------------------------|---------------------------|---|
| 01/01/92                       | \$ 4,945,883                           | \$ 17,343,208                                     | \$ 12,397,325                             | 28.52%                          | \$ 1,934,419              | 640.88%   |
| 01/01/93                       | 5,970,543                              | 18,529,012  | 12,558,469                                | 32.22                           | 2,114,678                 | 593.87  |
| 01/01/94                       | 6,851,746                              | 18,896,196  | 12,044,450                                | 36.26                           | 1,803,385                 | 667.88  |
| 01/01/95                       | 7,906,482                              | 20,320,784  | 12,414,302                                | 38.91                           | 1,837,360                 | 675.66  |
| 01/01/96                       | 20,705,091 (2)                         | 20,149,344  | (555,747)                                 | 102.76                          | 1,675,435                 | (33.17)   |
| 01/01/97                       | 23,327,044                             | 20,922,784  | (2,404,260)                               | 111.49                          | 1,738,455                 | (138.30)  |
| 01/01/98                       | 25,676,204                             | 20,595,320  | (5,080,884)                               | 124.67                          | 1,570,395                 | (323.54)  |
| 01/01/99                       | 29,154,720                             | 21,961,254  | (7,193,466)                               | 132.76                          | 1,624,289                 | (442.87)  |
| 01/01/00                       | 33,126,422                             | 21,835,564  | (11,290,858)                              | 151.71                          | 1,552,869                 | (727.10)  |
| 01/01/01                       | 37,125,932                             | 22,776,676  | (14,349,256)                              | 162.99                          | 1,512,683                 | (948.60)  |

**Schedule of Required Employer Contributions and Other Contributing Entities 1992-2001**

| Year Ended<br>December 31 | (f)<br>Annual<br>Required<br>Contribution<br>(ARC) (1) | Actuarial<br>Valuation<br>Date Basis<br>for ARC | (g)<br>Employer<br>Contribution | (h)<br>State Aid | Percentage<br>Contributed<br>[(g+h)/f] |
|---------------------------|--|---|---------------------------------|------------------|--|
| 1992                      | \$ 765,868   | 01/01/90  | \$ 331,296                      | \$ 434,572       | 100.00%                                |
| 1993                      | 765,868  | 01/01/91  | 199,771                         | 566,097          | 100.00                                 |
| 1994                      | 765,868  | 01/01/92  | 287,471                         | 478,397          | 100.00                                 |
| 1995                      | 765,868  | 01/01/93  | 12,541,110 (2)                  | 224,758          | 1,666.85                               |
| 1996                      | 136,586  | 01/01/94  | - (3)                           | 136,586          | 100.00                                 |
| 1997                      | 198,762  | 01/01/95  | -                               | 198,762          | 100.00                                 |
| 1998                      | 185,428  | 01/01/96  | -                               | 185,428          | 100.00                                 |
| 1999                      | -  | 01/01/97  | -                               | -                | -                                      |
| 2000                      | -  | 01/01/98  | -                               | -                | -                                      |
| 2001                      | -  | 01/01/99  | -                               | -                | -                                      |

- (1) 1992-2001 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation Bonds, Series A and B of 1995, the City deposited \$12,000,000 to satisfy the unfunded actuarial accrued liability for the Firemens' Pension Plan "A".
- (3) 1996-1998 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**FIREMENS' PENSION PLAN "B"**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress 01/01/92-01/01/01**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (c)<br>Unfunded<br>AAL<br>(UAAL)<br>(b-a) | (d)<br>Funded<br>Ratio<br>(a/b) | (e)<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(c/e) |
|--------------------------------|--|---|---|---------------------------------|---------------------------|---|
| 01/01/92                       | \$ 2,021,904                           | \$ 1,997,491                                      | \$ (24,413)                               | 101.22%                         | \$ 1,561,967              | (1.56)%   |
| 01/01/93                       | 2,474,660                              | 2,473,546   | (1,114)                                   | 100.05                          | 1,695,492                 | (0.07)  |
| 01/01/94                       | 2,835,504                              | 2,834,084   | (1,420)                                   | 100.05                          | 1,723,918                 | (0.08)  |
| 01/01/95                       | 3,347,731                              | 3,114,619   | (233,112)                                 | 107.48                          | 2,035,092                 | (11.45)   |
| 01/01/96                       | 3,820,572                              | 3,493,589   | (326,983)                                 | 109.36                          | 2,183,659                 | (14.97)   |
| 01/01/97                       | 4,683,022                              | 4,201,612   | (481,410)                                 | 111.46                          | 2,420,932                 | (19.89)   |
| 01/01/98                       | 5,615,865                              | 4,444,109   | (1,171,756)                               | 126.37                          | 2,409,017                 | (48.64)   |
| 01/01/99                       | 6,844,019                              | 5,336,306   | (1,507,713)                               | 128.26                          | 2,622,033                 | (57.51)   |
| 01/01/00                       | 8,290,725                              | 6,011,820   | (2,278,905)                               | 137.91                          | 2,670,726                 | (85.33)   |
| 01/01/01                       | 9,872,924                              | 7,359,634   | (2,513,290)                               | 134.15                          | 3,199,000                 | (78.56)   |

**Schedule of Required Employer Contributions and Other Contributing Entities 1992-2001**

| Year Ended<br>December 31 | (f)<br>Annual<br>Required<br>Contribution<br>(ARC) (1) | Actuarial<br>Valuation<br>Date Basis<br>for ARC | (g)<br>Employer<br>Contribution | (h)<br>State Aid | Percentage<br>Contributed<br>[(g+h) / f] |
|---------------------------|--|---|---------------------------------|------------------|--|
| 1992                      | \$ 106,450   | 01/01/90  | \$ 46,065                       | \$ 60,385        | 100.00%                                  |
| 1993                      | 106,871  | 01/01/91  | 27,917                          | 78,954           | 100.00                                   |
| 1994                      | 126,791  | 01/01/92  | 47,616                          | 79,175           | 100.00                                   |
| 1995                      | 153,287  | 01/01/93  | 121,342 (2)                     | 44,995           | 108.51                                   |
| 1996                      | 171,053  | 01/01/94  | - (3)                           | 171,053          | 100.00                                   |
| 1997                      | 203,878  | 01/01/95  | -                               | 203,878          | 100.00                                   |
| 1998                      | 208,096  | 01/01/96  | -                               | 208,096          | 100.00                                   |
| 1999                      | 223,568  | 01/01/97  | -                               | 223,568          | 100.00                                   |
| 2000                      | 167,966  | 01/01/98  | -                               | 167,966          | 100.00                                   |
| 2001                      | 188,199  | 01/01/99  | -                               | 188,199          | 100.00                                   |

- (1) 1992-2001 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) Includes a \$13,050 contribution in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation, or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.
- (3) 1996-2001 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINED POLICE OFFICERS' PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress 01/01/92-01/01/01**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (c)<br>Unfunded<br>AAL<br>(UAAL)<br>(b-a) | (d)<br>Funded<br>Ratio<br>(a/b) | (e)<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(c/e) |
|--------------------------------|--|---|---|---------------------------------|---------------------------|---|
| 01/01/92                       | \$ 8,121,954                           | \$ 25,624,969                                     | \$ 17,503,015                             | 31.70%                          | \$ 5,903,276              | 296.50%   |
| 01/01/93                       | 10,251,840                             | 28,505,550  | 18,253,710                                | 35.96                           | 6,650,426                 | 274.47  |
| 01/01/94                       | 12,347,099                             | 29,734,568  | 17,387,469                                | 41.52                           | 6,589,888                 | 263.85  |
| 01/01/95                       | 15,173,218                             | 31,622,366  | 16,449,148                                | 47.98                           | 6,991,670                 | 235.27  |
| 01/01/96                       | 33,462,010                             | 33,081,005  | (381,005)                                 | 101.15                          | 7,162,027                 | (5.32)  |
| 01/01/97                       | 38,558,258                             | 35,147,819  | (3,410,439)                               | 109.70                          | 7,436,274                 | (45.86)   |
| 01/01/98                       | 43,280,978                             | 36,683,332  | (6,597,646)                               | 117.99                          | 7,889,242                 | (83.63)   |
| 01/01/99                       | 49,828,312                             | 39,413,195  | (10,415,117)                              | 126.43                          | 8,272,417                 | (125.90)  |
| 01/01/00                       | 57,143,147                             | 36,876,195  | (20,266,952)                              | 154.96                          | 7,968,452                 | (254.34)  |
| 01/01/01                       | 57,189,470                             | 39,086,593  | (18,102,877)                              | 146.31                          | 8,008,858                 | (226.04)  |

**Schedule of Required Employer Contributions and Other Contributing Entities 1992-2001**

| Year Ended<br>December 31 | (f)<br>Annual<br>Required<br>Contribution<br>(ARC) (1) | Actuarial<br>Valuation<br>Date Basis<br>for ARC | (g)<br>Employer<br>Contribution | (h)<br>State Aid | Percentage<br>Contributed<br>[(g+h) /f] |
|---------------------------|--|---|---------------------------------|------------------|---|
| 1992                      | \$ 1,479,017   | 01/01/90  | \$ 435,612                      | \$ 1,043,405     | 100.00%                                 |
| 1993                      | 1,520,272  | 01/01/91  | 425,405                         | 1,094,867        | 100.00                                  |
| 1994                      | 1,581,122  | 01/01/92  | 449,939                         | 1,131,183        | 100.00                                  |
| 1995                      | 1,657,749  | 01/01/93  | 16,749,595 (2)                  | 895,980          | 1,064.43                                |
| 1996                      | 974,289  | 01/01/94  | - (3)                           | 974,289          | 100.00                                  |
| 1997                      | 699,373  | 01/01/95  | -                               | 699,373          | 100.00                                  |
| 1998                      | 731,496  | 01/01/96  | -                               | 731,496          | 100.00                                  |
| 1999                      | 466,435  | 01/01/97  | -                               | 466,435          | 100.00                                  |
| 2000                      | 469,959  | 01/01/98  | -                               | 469,959          | 100.00                                  |
| 2001                      | 310,040  | 01/01/99  | -                               | 310,040          | 100.00                                  |

- (1) 1992-2001 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited \$15,950,085 to materially satisfy the unfunded actuarial accrued liability for the Police Officers' Pension Plan. Also includes a \$37,741 contribution in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation, or ARC, without regard to the 15-year phase in provision of Act 205 as amended.
- (3) 1996-2001 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.



**CITY OF HARRISBURG, PENNSYLVANIA**  
**NOTES TO SUPPLEMENTARY SCHEDULES**  
**YEAR ENDED DECEMBER 31, 2001**

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The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

|                               | Non-Uniformed Employees' |                      | Firemens'            |                      | Police Officers'     |
|-------------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                               | Plan A                   | Plan B               | Plan A               | Plan B               | Combined             |
| Actuarial valuation date      | 1/1/01                   | 1/1/01               | 1/1/01               | 1/1/01               | 1/1/01               |
| Actuarial cost method         | Entry age normal         | Entry age normal     | Entry age normal     | Entry age normal     | Entry age Normal     |
| Amortization method           | Level dollar, closed     | Level dollar, closed | Level dollar, closed | Level dollar, closed | Level dollar, closed |
| Remaining amortization period | 16 years                 | 16 years             | 16 years             | 16 years             | 20 years             |
| Asset valuation method        | Fair value               | Fair value           | Fair value           | Fair value           | Fair value           |
| Actuarial assumptions         |                          |                      |                      |                      |                      |
| Investment rate of return     | 6.5% net of expenses     | 6.5% net of expenses | 6.5% net of expenses | 6.5% net of expenses | 8.0% net of expenses |
| Projected salary increases    | 5.2%                     | 5.2%                 | 5.2%                 | 5.2%                 | 5.0%                 |

**COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP  
STATEMENTS AND SCHEDULES**

**CITY OF HARRISBURG, PENNSYLVANIA**  
**DESCRIPTION OF FUND**  
**GENERAL FUND**

---

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF HARRISBURG, PENNSYLVANIA****GENERAL FUND****DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS****YEAR ENDED DECEMBER 31, 2001**

|  | Revised<br>Budget | Actual        | Variance<br>Favorable<br>(Unfavorable) |
|--|-------------------|---------------|--|
| Revenues                               |                   |               |  |
| Taxes                                  |                   |               |  |
| Property                               | \$ 12,236,000     | \$ 12,368,224 | \$ 132,224                             |
| Real estate transfer                   | 295,000           | 331,675       | 36,675                                 |
| Occupational privilege                 | 329,075           | 326,507       | (2,568)                                |
| Earned income                          | 2,941,323         | 3,190,322     | 248,999                                |
| Business privilege                     | 2,784,200         | 2,968,289     | 184,089                                |
| Total taxes                            | 18,585,598        | 19,185,017    | 599,419                                |
| Licenses and permits                   | 468,000           | 467,488       | (512)                                  |
| Intergovernmental revenue              | 5,972,272         | 5,150,570     | (821,702)                              |
| Departmental earnings                  | 15,316,908        | 13,569,974    | (1,746,934)                            |
| Fines and forfeits                     | 1,340,000         | 1,300,234     | (39,766)                               |
| Investment income                      | 174,625           | 245,298       | 70,673                                 |
| Miscellaneous                          | 1,012,391         | 3,972,479     | 2,960,088                              |
| Total revenues                         | 42,869,794        | 43,891,060    | 1,021,266                              |
| Expenditures                           |                   |               |  |
| General government                     |                   |               |  |
| Elected and appointed offices          |                   |               |  |
| City Council                           | 345,034           | 337,512       | 7,522                                  |
| Mayor                                  | 447,592           | 436,766       | 10,826                                 |
| City Controller                        | 203,888           | 199,517       | 4,371                                  |
| City Treasurer                         | 538,118           | 530,419       | 7,699                                  |
| City Solicitor                         | 376,083           | 353,113       | 22,970                                 |
| Office of City Engineer                | 1,881,901         | 1,781,918     | 99,983                                 |
| Human Relations Commission             | 167,389           | 161,773       | 5,616                                  |
| Mayor's Office of Economic Development | 238,524           | 218,906       | 19,618                                 |
| Total elected and appointed offices    | 4,198,529         | 4,019,924     | 178,605                                |

(continued)

**CITY OF HARRISBURG, PENNSYLVANIA**

**GENERAL FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**

**BALANCE - BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS (Cont'd)**

**YEAR ENDED DECEMBER 31, 2001**

|   | Revised<br>Budget | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------|------------|--|
| Expenditures                            |                   |            |  |
| General government                      |                   |            |  |
| Office of Administration                |                   |            |  |
| Administration                          |                   |            |  |
| Director's Office                       | 185,874           | 183,159    | 2,715                                  |
| Bureau of Insurance and Risk Management | 233,560           | 228,864    | 4,696                                  |
| Bureau of Financial Management          | 695,471           | 675,315    | 20,156                                 |
| Bureau of Data Processing               | 1,103,276         | 1,097,160  | 6,116                                  |
| Bureau of Human Resources               | 379,712           | 375,403    | 4,309                                  |
| Bureau of Operations and Revenue        | 1,896,449         | 1,807,263  | 89,186                                 |
| Total administration                    | 4,494,342         | 4,367,164  | 127,178                                |
| General expenditures                    |                   |            |  |
| Employee benefits                       | 2,155,739         | 1,989,294  | 166,445                                |
| Purchase of services                    | 1,068,387         | 954,569    | 113,818                                |
| Subsidies, grants and other             | 452,511           | 509,696    | (57,185)                               |
| Total general expenditures              | 3,676,637         | 3,453,559  | 223,078                                |
| Total general government                | 12,369,508        | 11,840,647 | 528,861                                |
| Building and Housing development        |                   |            |  |
| Director's Office                       | 127,910           | 120,883    | 7,027                                  |
| Bureau of Planning                      | 170,519           | 164,364    | 6,155                                  |
| Bureau of Codes Enforcement             | 721,466           | 712,147    | 9,319                                  |
| Total building and housing development  | 1,019,895         | 997,394    | 22,501                                 |
| Public safety                           |                   |            |  |
| Bureau of Police                        | 13,004,197        | 13,468,394 | (464,197)                              |
| Bureau of Fire                          | 6,774,181         | 6,721,773  | 52,408                                 |
| Total public safety                     | 19,778,378        | 20,190,167 | (411,789)                              |

(continued)

**CITY OF HARRISBURG, PENNSYLVANIA****GENERAL FUND****DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS (Cont'd)****YEAR ENDED DECEMBER 31, 2001**

|  | Revised<br>Budget | Actual       | Variance<br>Favorable<br>(Unfavorable) |
|--|-------------------|--------------|--|
| Public works   |                   |              |  |
| Director's Office  | 86,119            | 83,900       | 2,219                                  |
| Bureau of City Services  | 923,983           | 893,197      | 30,786                                 |
| Bureau of Traffic Engineering  | 647,224           | 644,207      | 3,017                                  |
| Bureau of Vehicle Maintenance  | 1,489,048         | 1,453,694    | 35,354                                 |
| Bureau of Building Maintenance   | 912,578           | 902,868      | 9,710                                  |
| Total public works   | 4,058,952         | 3,977,866    | 81,086                                 |
| Parks and recreation   |                   |              |  |
| Director's Office  | 831,688           | 826,436      | 5,252                                  |
| Bureau of Recreation   | 785,195           | 781,008      | 4,187                                  |
| Bureau of Parks  | 1,373,162         | 1,293,416    | 79,746                                 |
| Total parks and recreation   | 2,990,045         | 2,900,860    | 89,185                                 |
| Total expenditures   | 40,216,778        | 39,906,934   | 309,844                                |
| Excess of revenues over expenditures before<br>other financing sources (uses)    | 2,653,016         | 3,984,126    | 1,331,110                              |
| Other financing sources (uses)   |                   |              |  |
| Operating transfers in   | 1,112,595         | 1,112,595    | -                                      |
| Operating transfers out  | (8,369,310)       | (8,364,712)  | 4,598                                  |
| Total other financing sources (uses)   | (7,256,715)       | (7,252,117)  | 4,598                                  |
| Excess of revenues and other sources over<br>(under) expenditures and other uses | (4,603,699)       | (3,267,991)  | 1,335,708                              |
| Fund balance - beginning of year   | 4,603,699         | 7,766,714    | 3,163,015                              |
| Fund balance - end of year   | \$ -              | \$ 4,498,723 | \$ 4,498,723                           |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**DESCRIPTION OF FUND**  
**SPECIAL REVENUE FUNDS – PRIMARY GOVERNMENT**

---

**State Liquid Fuels Tax Fund**

The State Liquid Fuels Tax Fund is used to account for state aid revenue used primarily for building and improving City roads and bridges in accordance with policies and procedures of the County Liquid Fuels Tax Act of 1981 and Liquid Fuels Act 655.

**Grant Programs Fund**

The Grant Programs Fund is used to account for the revenues and expenditures of federal, state, and other grant programs including the Community Development Block Grant Entitlement Program.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS -**  
**PRIMARY GOVERNMENT**  
**DECEMBER 31, 2001**

|                                      | Primary Government |              |              |
|--------------------------------------|--------------------|--------------|--------------|
|                                      | State              | Grant        | Total        |
|                                      | Liquid Fuels       | Programs     | Primary      |
|                                      | Tax Fund           | Fund         | Government   |
| <b>ASSETS</b>                        |                    |              |              |
| Current assets                       |                    |              |              |
| Cash                                 | \$ 401,257         | \$ 2,853,887 | \$ 3,255,144 |
| Loans receivable                     | -                  | 6,080,921    | 6,080,921    |
| Grants receivable                    | -                  | 128,500      | 128,500      |
| Due from other funds                 | 2,251              | 113          | 2,364        |
| Other assets                         | 691                | 1,461        | 2,152        |
|                                      |                    |              |              |
| Total current assets                 | 404,199            | 9,064,882    | 9,469,081    |
|                                      |                    |              |              |
| Total assets                         | \$ 404,199         | \$ 9,064,882 | \$ 9,469,081 |
| <b>LIABILITIES AND FUND BALANCES</b> |                    |              |              |
| Liabilities                          |                    |              |              |
| Accounts payable                     | \$ 18,899          | \$ 839,510   | \$ 858,409   |
| Accrued expenses                     | 14,849             | 77,400       | 92,249       |
| Due to other funds                   | 1,622              | 403,446      | 405,068      |
| Deferred revenue                     | -                  | 7,610,551    | 7,610,551    |
| Advances from other funds            | -                  | 133,975      | 133,975      |
|                                      |                    |              |              |
| Total liabilities                    | 35,370             | 9,064,882    | 9,100,252    |
|                                      |                    |              |              |
| Fund balances                        |                    |              |              |
| Unreserved                           |                    |              |              |
| Undesignated                         | 368,829            | -            | 368,829      |
|                                      |                    |              |              |
| Total fund balances                  | 368,829            | -            | 368,829      |
|                                      |                    |              |              |
| Total liabilities and fund balances  | \$ 404,199         | \$ 9,064,882 | \$ 9,469,081 |



**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - ALL SPECIAL REVENUE FUNDS - PRIMARY GOVERNMENT**  
**YEAR ENDED DECEMBER 31, 2001**

|  | Primary Government                |                           |                                |
|--|-----------------------------------|---------------------------|--------------------------------|
|  | State<br>Liquid Fuels<br>Tax Fund | Grant<br>Programs<br>Fund | Total<br>Primary<br>Government |
| Revenues   |                                   |                           |                                |
| Intergovernmental revenue  | \$ 777,638                        | \$ 9,341,690              | \$ 10,119,328                  |
| Departmental earnings and program revenue                                | -                                 | 419,784                   | 419,784                        |
| Investment income  | 20,798                            | 346,606                   | 367,404                        |
| Miscellaneous  | -                                 | 4,269                     | 4,269                          |
| Total revenues   | 798,436                           | 10,112,349                | 10,910,785                     |
| Expenditures   |                                   |                           |                                |
| Current  |                                   |                           |                                |
| Community development  | -                                 | 9,716,464                 | 9,716,464                      |
| Public works   | 664,031                           | -                         | 664,031                        |
| Debt service   |                                   |                           |                                |
| Principal retirements  | -                                 | 215,000                   | 215,000                        |
| Interest   | -                                 | 180,885                   | 180,885                        |
| Total expenditures   | 664,031                           | 10,112,349                | 10,776,380                     |
| Excess of revenues over expenditures                                     | 134,405                           | -                         | 134,405                        |
| Other financing sources (uses)   |                                   |                           |                                |
| Operating transfers out  | (107,313)                         | -                         | (107,313)                      |
| Total other financing sources (uses)                                     | (107,313)                         | -                         | (107,313)                      |
| Excess of revenues and other sources over<br>expenditures and other uses | 27,092                            | -                         | 27,092                         |
| Fund balances - beginning of year  | 341,737                           | -                         | 341,737                        |
| Fund balances - end of year  | \$ 368,829                        | \$ -                      | \$ 368,829                     |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**DESCRIPTION OF FUND**  
**ENTERPRISE FUNDS – PRIMARY GOVERNMENT**

---

**Sewer Fund**

The Sewer Fund is used to account for the revenues and expenses associated with the provision of sewerage service to the residents and commercial and industrial establishments of the City as well as six municipalities surrounding the City.

**Sanitation Fund**

The Sanitation Fund is used to account for the revenues and expenses associated with the provision of refuse collection and disposal services to the residents and commercial and industrial establishments of the City.

**Hydroelectric Dam Fund**

The Hydroelectric Dam Fund is used to account for the revenues and expenses of a proposed project which includes the design and construction of a hydroelectric dam, a generating facility and various ancillary improvements. The project is currently in the design and permitting stage.

**Harrisburg Senators Enterprise Fund**

The Harrisburg Senators Enterprise Fund is used to account for the revenues and expenses associated with the Harrisburg Senators minor league baseball franchise, owned by the City.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS - PRIMARY GOVERNMENT**  
**DECEMBER 31, 2001**

|  | Primary Government |                    |                           |  |                                |
|--|--------------------|--------------------|---------------------------|--|--------------------------------|
|  | Sewer<br>Fund      | Sanitation<br>Fund | Hydroelectric<br>Dam Fund | Harrisburg<br>Senators<br>Enterprise<br>Fund | Total<br>Primary<br>Government |
| ASSETS   |                    |                    |                           |  |                                |
| Current assets   |                    |                    |                           |  |                                |
| Cash   | \$ 5,643,412       | \$ 109,502         | \$ 47,597                 | \$ -   | \$ 5,800,511                   |
| Receivables, net of<br>allowance for uncollectible<br>accounts       |                    |                    |                           |  |                                |
| Accounts receivable  | 2,556,755          | 530,260            | -                         | -  | 3,087,015                      |
| Grant receivable   | -                  | 100,117            | -                         | -  | 100,117                        |
| Other receivable   | -                  | -                  | 15                        | -  | 15                             |
| Due from other funds   | 102,872            | 6,737              | 28                        | -  | 109,637                        |
| Prepaid expenses and<br>other assets                                 | 600,825            | 11,046             | 242                       | -  | 612,113                        |
| Total current assets   | 8,903,864          | 757,662            | 47,882                    | -  | 9,709,408                      |
| Restricted assets  |                    |                    |                           |  |                                |
| Cash   | -                  | 229,001            | -                         | 2,159  | 231,160                        |
| Investments, at fair value   | 426,853            | 245,954            | -                         | -  | 672,807                        |
| Total restricted<br>assets   | 426,853            | 474,955            | -                         | 2,159  | 903,967                        |
| Direct financing lease<br>proceeds receivable from<br>component unit | 4,404,755          | -                  | -                         | -  | 4,404,755                      |
| Fixed assets, less<br>accumulated depreciation                       | 37,674,956         | 841,867            | 18,871,012                | 448,640                                      | 57,836,475                     |
| Franchise fee, less<br>accumulated depreciation                      | -                  | -                  | -                         | 5,123,619                                    | 5,123,619                      |
| Total assets   | \$ 51,410,428      | \$ 2,074,484       | \$ 18,918,894             | \$ 5,574,418                                 | \$ 77,978,224                  |

(continued)

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS - PRIMARY GOVERNMENT**  
**DECEMBER 31, 2001**

| LIABILITIES AND FUND EQUITY  | Primary Government |                 |                        |                                     | Total Primary Government |
|--|--------------------|-----------------|------------------------|-------------------------------------|--------------------------|
|  | Sewer Fund         | Sanitation Fund | Hydroelectric Dam Fund | Harrisburg Senators Enterprise Fund |                          |
| Current liabilities (payable from current assets)                      |                    |                 |                        |                                     |                          |
| Accounts payable   | \$ 361,227         | \$ 45,982       | \$ 6,352               | \$ -                                | \$ 413,561               |
| Accrued expenses   | 473,803            | 96,450          | 4,400                  | -                                   | 574,653                  |
| Due to other funds   | 34,832             | 197,068         | 271,099                | 1,362,016                           | 1,865,015                |
| Due to other component units   | 2,987,479          | -               | -                      | -                                   | 2,987,479                |
| Current portion of future lease rentals payable to component unit      | 1,859,960          | -               | -                      | -                                   | 1,859,960                |
| Total current liabilities (payable from current assets)                | 5,717,301          | 339,500         | 281,851                | 1,362,016                           | 7,700,668                |
| Current liabilities (payable from restricted assets)                   |                    |                 |                        |                                     |                          |
| Current portion of bonds payable                                       | 74,352             | 27,685          | -                      | 5,000                               | 107,037                  |
| Current portion of capitalized lease obligations                       | -                  | 40,694          | -                      | -                                   | 40,694                   |
| Total current liabilities (payable from restricted assets)             | 74,352             | 68,379          | -                      | 5,000                               | 147,731                  |
| Noncurrent liabilities   |                    |                 |                        |                                     |                          |
| Advances from other funds  | -                  | 277,400         | -                      | -                                   | 277,400                  |
| General obligation bonds payable                                       | 321,703            | 33,011          | -                      | 7,980,000                           | 8,334,714                |
| Capitalized lease obligations  | -                  | 183,936         | -                      | -                                   | 183,936                  |
| Vested compensated absences  | 263,511            | 206,049         | 58,778                 | -                                   | 528,338                  |
| Future lease rentals payable to component unit, net of current portion | 10,880,745         | -               | -                      | -                                   | 10,880,745               |
| Total liabilities  | 17,257,612         | 1,108,275       | 340,629                | 9,347,016                           | 28,053,532               |
| Fund equity  |                    |                 |                        |                                     |                          |
| Contributed capital  | 27,706,859         | 210,418         | -                      | -                                   | 27,917,277               |
| Retained earnings (deficit)  |                    |                 |                        |                                     |                          |
| Reserved   |                    |                 |                        |                                     |                          |
| Workers' compensation  | 426,853            | 245,954         | -                      | -                                   | 672,807                  |
| Revenue bond construction  | -                  | -               | 18,578,265             | -                                   | 18,578,265               |
| Unreserved   | 6,019,104          | 509,837         | -                      | (3,772,598)                         | 2,756,343                |
| Total fund equity (deficit)  | 34,152,816         | 966,209         | 18,578,265             | (3,772,598)                         | 49,924,692               |
| Total liabilities and fund equity                                      | \$ 51,410,428      | \$ 2,074,484    | \$ 18,918,894          | \$ 5,574,418                        | \$ 77,978,224            |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED**  
**EARNINGS - ALL ENTERPRISE FUNDS - PRIMARY GOVERNMENT**  
**YEAR ENDED DECEMBER 31, 2001**

|   | Primary Government |                    |                           |  |                                |
|---|--------------------|--------------------|---------------------------|--|--------------------------------|
|   | Sewer<br>Fund      | Sanitation<br>Fund | Hydroelectric<br>Dam Fund | Harrisburg<br>Senators<br>Enterprise<br>Fund | Total<br>Primary<br>Government |
| Operating revenues  |                    |                    |                           |  |                                |
| Charges for service                                       | \$ 11,039,252      | \$ 3,611,806       | \$ -                      | \$ 248,688                                   | \$ 14,899,746                  |
| Operating expenses  |                    |                    |                           |  |                                |
| Salaries and wages  | 1,974,766          | 1,096,927          | 96,416                    | -  | 3,168,109                      |
| Fringe benefits   | 538,058            | 186,510            | 19,658                    | -  | 744,226                        |
| Communications  | 26,646             | 2,660              | -                         | -  | 29,306                         |
| Professional fees   | 92,366             | 98,421             | -                         | -  | 190,787                        |
| Utilities   | 1,555,097          | 834                | -                         | -  | 1,555,931                      |
| Insurance   | 125,466            | 12,644             | -                         | -  | 138,110                        |
| Maintenance and repairs                                   | 288,452            | 80,056             | -                         | -  | 368,508                        |
| Contracted services                                       | 3,991,570          | 975,232            | 28,971                    | -  | 4,995,773                      |
| Supplies  | 414,668            | 96,790             | 13,438                    | -  | 524,896                        |
| Depreciation  | 1,767,391          | 187,952            | 145                       | 37,387                                       | 1,992,875                      |
| Other expense   | 4,911              | 16,532             | -                         | -  | 21,443                         |
| Total operating expenses                                  | 10,779,391         | 2,754,558          | 158,628                   | 37,387                                       | 13,729,964                     |
| Operating income (loss)                                   | 259,861            | 857,248            | (158,628)                 | 211,301                                      | 1,169,782                      |
| Nonoperating revenues                                     |                    |                    |                           |  |                                |
| (expenses)  |                    |                    |                           |  |                                |
| State subsidy   | 272,593            | 100,117            | -                         | -  | 372,710                        |
| Investment income   | 224,844            | 28,879             | 2,166                     | -  | 255,889                        |
| Interest expense  | (1,264,135)        | (2,570)            | -                         | (614,771)                                    | (1,881,476)                    |
| Amortization of bond<br>issue costs and franchise<br>fees | -                  | -                  | -                         | (353,352)                                    | (353,352)                      |
| Total nonoperating revenues<br>(expenses)                 | (766,698)          | 126,426            | 2,166                     | (968,123)                                    | (1,606,229)                    |
| Income (loss) before operating<br>transfers               | (506,837)          | 983,674            | (156,462)                 | (756,822)                                    | (436,447)                      |
| Operating transfers in                                    | -                  | -                  | 175,000                   | 394,771                                      | 569,771                        |
| Operating transfers out                                   | -                  | (1,112,595)        | -                         | -  | (1,112,595)                    |
| Net (loss) income   | (506,837)          | (128,921)          | 18,538                    | (362,051)                                    | (979,271)                      |
| Retained earnings (deficit) -<br>beginning of year        | 6,952,794          | 884,712            | 18,559,727                | (3,410,547)                                  | 22,986,686                     |
| Retained earnings (deficit) -<br>end of year              | \$ 6,445,957       | \$ 755,791         | \$ 18,578,265             | \$ (3,772,598)                               | \$ 22,007,415                  |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS -**  
**PRIMARY GOVERNMENT**  
**YEAR ENDED DECEMBER 31, 2001**

|  | Primary Government |                    |                           | Harrisburg<br>Senators<br>Enterprise<br>Fund | Total<br>Primary<br>Government |
|--|--------------------|--------------------|---------------------------|--|--------------------------------|
|  | Sewer<br>Fund      | Sanitation<br>Fund | Hydroelectric<br>Dam Fund |  |                                |
| Cash flows from operating activities   |                    |                    |                           |  |                                |
| Operating income (loss)  | \$ 259,861         | \$ 857,248         | \$ (158,628)              | \$ 211,301                                   | \$ 1,169,782                   |
| Adjustments to reconcile operating income (loss)<br>to cash provided by (used in) operating activities |                    |                    |                           |  |                                |
| Depreciation and amortization  | 1,767,391          | 187,952            | 145                       | 37,387                                       | 1,992,875                      |
| Loss on disposal of fixed assets   | 3,731              | -                  | -                         | -  | 3,731                          |
| Provision for uncollectible accounts   | (617,818)          | 10,003             | -                         | -  | (607,815)                      |
| Changes in assets and liabilities  |                    |                    |                           |  |                                |
| Accounts receivable  | 761,965            | (2,221)            | -                         | -  | 759,744                        |
| Other receivable   | -                  | -                  | (15)                      | -  | (15)                           |
| Other assets   | (4,217)            | 172,989            | 116                       | -  | 168,888                        |
| Vested compensated absences  | 16,209             | 4,810              | 5,910                     | -  | 26,929                         |
| Accounts payable and other accrued costs   | 122,220            | (92,039)           | 4,125                     | -  | 34,306                         |
| Net cash provided by (used in) operating<br>activities   | 2,309,342          | 1,138,742          | (148,347)                 | 248,688                                      | 3,548,425                      |
| Cash flows from noncapital financing activities  |                    |                    |                           |  |                                |
| Operating transfers in   | -                  | -                  | 175,000                   | 394,771                                      | 569,771                        |
| Operating transfers out  | -                  | (1,112,595)        | -                         | -  | (1,112,595)                    |
| Intergovernmental revenue  | 272,593            | -                  | -                         | -  | 272,593                        |
| (Decrease) increase in advances from other<br>funds  | 311,985            | 43,778             | 169                       | (23,688)                                     | 332,244                        |
| Net cash (used in) provided by noncapital<br>financing activities                                      | 584,578            | (1,068,817)        | 175,169                   | 371,083                                      | 62,013                         |
| Cash flows from capital and related financing<br>activities  |                    |                    |                           |  |                                |
| Acquisition and construction of capital assets   | (89,738)           | -                  | -                         | -  | (89,738)                       |
| Interest paid  | -                  | (2,570)            | -                         | (614,771)                                    | (617,341)                      |
| Lease, bond and note payments  | (2,777,266)        | (26,573)           | -                         | (5,000)                                      | (2,808,839)                    |
| Net cash used in capital and related<br>financing activities   | (2,867,004)        | (29,143)           | -                         | (619,771)                                    | (3,515,918)                    |
| Cash flows from investing activities   |                    |                    |                           |  |                                |
| Interest on investments  | 224,844            | 28,879             | 2,166                     | -  | 255,889                        |
| Net cash provided by investing activities  | 224,844            | 28,879             | 2,166                     | -  | 255,889                        |
| Net increase in cash and cash equivalents  | 251,760            | 69,661             | 28,988                    | -  | 350,409                        |
| Cash and cash equivalents (including restricted<br>assets) - beginning of year                         | 5,818,505          | 514,796            | 18,609                    | 2,159  | 6,354,069                      |
| Cash and cash equivalents (including restricted<br>assets) - end of year                               | \$ 6,070,265       | \$ 584,457         | \$ 47,597                 | \$ 2,159                                     | \$ 6,704,478                   |
| Noncash investing, capital and financing activities  |                    |                    |                           |  |                                |
| Amortization of deferred bond issuance costs<br>and bond discount and franchise fees                   | \$ -               | \$ -               | \$ -                      | \$ 353,352                                   | \$ 353,352                     |
| Construction-in-progress paid by The Harrisburg<br>Authority on behalf of the Sewer Fund               | \$ 1,181,515       | \$ -               | \$ -                      | \$ -   | \$ 1,181,515                   |
| Proceeds from capital lease obligations  | \$ -               | \$ 224,630         | \$ -                      | \$ -   | \$ 224,630                     |
| Acquisition of equipment through capital lease<br>obligations  | \$ -               | \$ 224,630         | \$ -                      | \$ -   | \$ 224,630                     |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) ENTERPRISE FUNDS**  
**YEAR ENDED DECEMBER 31, 2001**

|                                       | Sewer Fund     |               |                                  | Sanitation Fund |              |                                  | Total          |               |                                  |
|---------------------------------------|----------------|---------------|----------------------------------|-----------------|--------------|----------------------------------|----------------|---------------|----------------------------------|
|                                       | Revised Budget | Actual        | Variance Favorable (Unfavorable) | Revised Budget  | Actual       | Variance Favorable (Unfavorable) | Revised Budget | Actual        | Variance Favorable (Unfavorable) |
| Revenues - operating and nonoperating | \$ 12,003,502  | \$ 11,664,575 | \$ (338,927)                     | 3,759,179       | \$ 3,730,309 | \$ (28,870)                      | \$ 15,762,681  | \$ 15,394,884 | \$ (367,797)                     |
| Total revenues                        | 12,003,502     | 11,664,575    | (338,927)                        | 3,759,179       | 3,730,309    | (28,870)                         | 15,762,681     | 15,394,884    | (367,797)                        |
| Expenses - operating and nonoperating | 12,003,502     | 11,664,757    | 338,745                          | 4,006,627       | 3,809,458    | 197,169                          | 16,010,129     | 15,474,215    | 535,914                          |
| Total expenses                        | 12,003,502     | 11,664,757    | 338,745                          | 4,006,627       | 3,809,458    | 197,169                          | 16,010,129     | 15,474,215    | 535,914                          |
| Income (loss)                         | -              | (182)         | (182)                            | (247,448)       | (79,149)     | 168,299                          | (247,448)      | (79,331)      | 168,117                          |
| Fund balance appropriation            | -              | -             | -                                | 247,448         | 247,448      | -                                | 247,448        | 247,448       | -                                |
| Retained earnings - beginning of year | -              | 5,836,855     | 5,836,855                        | -               | 1,935,577    | 1,935,577                        | -              | 7,772,432     | 7,772,432                        |
| Retained earnings - end of year       | \$ -           | \$ 5,836,673  | \$ 5,836,673                     | \$ -            | \$ 2,103,876 | \$ 2,103,876                     | \$ -           | \$ 7,940,549  | \$ 7,940,549                     |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**DESCRIPTION OF FUND**  
**TRUST AND AGENCY FUNDS**

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**Expendable Trust Fund**

The Expendable Trust Fund is used to account for contributions that have been designated for improvements to specific parks and properties in the City.

**Police Pension Trust Fund**

The Police Pension Trust Fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of police personnel.

**Agency Funds**

The School Tax Collection Fund is used to account for the collection and payment to the school district of property taxes billed and collected on its behalf.

The Payroll and Other Escrow Liabilities Fund is used to account for the collection and payment of miscellaneous escrow liabilities.



**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS**  
**DECEMBER 31, 2001**

|   | Agency Funds             |                                 |                          |                      |                       |                          |
|---|--------------------------|---------------------------------|--------------------------|----------------------|-----------------------|--------------------------|
|   | Expendable<br>Trust Fund | Police<br>Pension<br>Trust Fund | School Tax<br>Collection | Payroll and<br>Other | Escrow<br>Liabilities | Total<br>Agency<br>Funds |
| <b>ASSETS</b>                             |                          |                                 |                          |                      |                       |                          |
| Cash                                      | \$ 589,850               | \$ 1,306,528                    | \$ 307,443               | \$ 314,246           | \$ 621,689            | \$ 2,518,067             |
| Investments, at fair value                | -                        | 54,060,233                      | -                        | -                    | -                     | 54,060,233               |
| Other receivables                         | -                        | 323,300                         | -                        | -                    | -                     | 323,300                  |
| Due from other funds                      | 28,772                   | -                               | -                        | -                    | -                     | 28,772                   |
| Other assets                              | 400                      | -                               | -                        | -                    | -                     | 400                      |
| <b>Total assets</b>                       | <b>\$ 619,022</b>        | <b>\$ 55,690,061</b>            | <b>\$ 307,443</b>        | <b>\$ 314,246</b>    | <b>\$ 621,689</b>     | <b>\$ 56,930,772</b>     |
| <b>LIABILITIES AND FUND BALANCE</b>       |                          |                                 |                          |                      |                       |                          |
| Accounts payable and accrued expenses     | \$ 33,297                | -                               | -                        | -                    | -                     | \$ 33,297                |
| Due to other funds                        | 423,712                  | -                               | -                        | -                    | -                     | 423,712                  |
| Due to other governments                  | -                        | -                               | 307,443                  | -                    | 307,443               | 307,443                  |
| Escrow liabilities                        | -                        | -                               | -                        | 314,246              | 314,246               | 314,246                  |
| <b>Total liabilities</b>                  | <b>457,009</b>           | <b>-</b>                        | <b>307,443</b>           | <b>314,246</b>       | <b>621,689</b>        | <b>1,078,698</b>         |
| <b>Fund balance</b>                       |                          |                                 |                          |                      |                       |                          |
| Reserved for encumbrances                 | 5,828                    | -                               | -                        | -                    | -                     | 5,828                    |
| Reserved for police pension benefits      | -                        | 55,690,061                      | -                        | -                    | -                     | 55,690,061               |
| Unreserved undesignated                   | 156,185                  | -                               | -                        | -                    | -                     | 156,185                  |
| <b>Total fund balance</b>                 | <b>162,013</b>           | <b>55,690,061</b>               | <b>-</b>                 | <b>-</b>             | <b>-</b>              | <b>55,852,074</b>        |
| <b>Total liabilities and fund balance</b> | <b>\$ 619,022</b>        | <b>\$ 55,690,061</b>            | <b>\$ 307,443</b>        | <b>\$ 314,246</b>    | <b>\$ 621,689</b>     | <b>\$ 56,930,772</b>     |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**ALL AGENCY FUNDS**  
**YEAR ENDED DECEMBER 31, 2001**

|   | Beginning<br>of Year | Additions     | Deductions    | End<br>of Year |
|---|----------------------|---------------|---------------|----------------|
| <b>School Tax Collection</b>                |                      |               |               |                |
| Assets                                      |                      |               |               |                |
| Cash  | \$ 306,425           | \$ 31,576,522 | \$ 31,575,504 | \$ 307,443     |
| Liabilities                                 |                      |               |               |                |
| Due to other governments                    | \$ 306,425           | \$ 31,576,522 | \$ 31,575,504 | \$ 307,443     |
| <b>Payroll and Other Escrow Liabilities</b> |                      |               |               |                |
| Assets                                      |                      |               |               |                |
| Cash  | \$ 462,753           | \$ 36,562,384 | \$ 36,710,891 | \$ 314,246     |
| Liabilities                                 |                      |               |               |                |
| Accounts payable                            | \$ 679               | \$ -          | \$ 679        | \$ -           |
| Escrow liabilities                          | 462,074              | 36,562,732    | 36,710,560    | 314,246        |
| Total liabilities                           | \$ 462,753           | \$ 36,562,732 | \$ 36,711,239 | \$ 314,246     |
| <b>Total All Agency Funds</b>               |                      |               |               |                |
| Assets                                      |                      |               |               |                |
| Cash  | \$ 769,178           | \$ 68,138,906 | \$ 68,286,395 | \$ 621,689     |
| Liabilities                                 |                      |               |               |                |
| Accounts payable                            | \$ 679               | \$ -          | \$ 679        | \$ -           |
| Due to other governments                    | 306,425              | 31,576,522    | 31,575,504    | 307,443        |
| Escrow liabilities                          | 462,074              | 36,562,732    | 36,710,560    | 314,246        |
| Total liabilities                           | \$ 769,178           | \$ 68,139,254 | \$ 68,286,743 | \$ 621,689     |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**STATEMENT OF PLAN NET ASSETS - POLICE PENSION TRUST FUND**  
**DECEMBER 31, 2001**

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|  |                             |
|--|-----------------------------|
| Assets   |                             |
| Cash and cash equivalents                      | <u>\$ 1,306,528</u>         |
| Receivables                                    |                             |
| Interest and dividends                         | 13,260                      |
| State contribution                             | <u>310,040</u>              |
| Total receivables                              | <u>323,300</u>              |
| Investments, at fair value                     |                             |
| Fixed income funds                             | 23,761,065                  |
| Equity funds                                   | 13,373,226                  |
| Common stock                                   | <u>16,925,942</u>           |
| Total investments                              | <u>54,060,233</u>           |
| Net assets held in trust for pension benefits  |                             |
| a summary of the funding progress is presented |                             |
| on page 64)                                    | <u><u>\$ 55,690,061</u></u> |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**DESCRIPTION OF FUND**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**

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The General Fixed Assets Account Group accounts for fixed assets not used in proprietary fund operations.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE**  
**DECEMBER 31, 2001**

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|  |                       |
|--|-----------------------|
| General fixed assets                               |                       |
| Land   | \$ 8,553,471          |
| Buildings and improvements                         | 77,062,415            |
| Equipment and furniture                            | <u>49,077,238</u>     |
| Total general fixed assets                         | <u>\$ 134,693,124</u> |
| Investment in general fixed assets by source       |                       |
| General Fund                                       | 19,214,394            |
| Special Revenue Funds                              | 21,018,206            |
| Expendable Trust Fund                              | 681,838               |
| Capital Projects Fund                              | 30,402,410            |
| General obligation bond and note proceeds          | 57,899,852            |
| Acquisition prior to January 1, 1982               | <u>5,476,424</u>      |
| Total investment in general fixed assets by source | <u>\$ 134,693,124</u> |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE**  
**YEAR ENDED DECEMBER 31, 2001**

|                              | <u>Land</u>                | <u>Buildings<br/>and<br/>Improvements</u> | <u>Equipment<br/>and<br/>Furniture</u> | <u>Total</u>                 |
|------------------------------|----------------------------|---|--|------------------------------|
| Balances - beginning of year | <u>\$ 8,553,471</u>        | <u>\$ 72,879,445</u>                      | <u>\$ 44,632,639</u>                   | <u>\$ 126,065,555</u>        |
| Add                          |                            |   |  |                              |
| Expenditures from            |                            |   |  |                              |
| General Fund                 | -                          | 58,994                                    | 3,111,649                              | 3,170,643                    |
| Special Revenue Funds        | -                          | 3,553,433                                 | 212,979                                | 3,766,412                    |
| Expendable Trust Fund        | -                          | 23,225                                    | 75,236                                 | 98,461                       |
| Capital Projects Fund        | -                          | 547,318                                   | 2,774,995                              | 3,322,313                    |
|                              | <u>-</u>                   | <u>4,182,970</u>                          | <u>6,174,859</u>                       | <u>10,357,829</u>            |
| Total additions              | -                          | 4,182,970                                 | 6,174,859                              | 10,357,829                   |
| Less: fixed asset disposals  | <u>-</u>                   | <u>-</u>                                  | <u>(1,730,260)</u>                     | <u>(1,730,260)</u>           |
| Balances - end of year       | <u><u>\$ 8,553,471</u></u> | <u><u>\$ 77,062,415</u></u>               | <u><u>\$ 49,077,238</u></u>            | <u><u>\$ 134,693,124</u></u> |

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**  
**DECEMBER 31, 2001**

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| <b>Function and Activity</b>     | <b>Land</b>         | <b>Buildings<br/>and<br/>Improvements</b> | <b>Equipment<br/>and<br/>Furniture</b> | <b>Total</b>          |
|----------------------------------|---------------------|---|--|-----------------------|
| General government               | \$ 103,293          | \$ 33,918,039                             | \$ 6,838,130                           | \$ 40,859,462         |
| Administration                   | -                   | 309,235                                   | 6,722,862                              | 7,032,097             |
| Building and Housing Development | 4,608,760           | 4,068,716                                 | 765,688                                | 9,443,164             |
| Public safety                    |                     |   |  |                       |
| Police                           | 1                   | 5,364,191                                 | 6,651,616                              | 12,015,808            |
| Fire                             | 29,362              | 6,076,398                                 | 4,988,086                              | 11,093,846            |
| Public works                     | 590,753             | 5,145,502                                 | 7,745,901                              | 13,482,156            |
| Parks and recreation             | 3,221,302           | 22,180,334                                | 15,364,955                             | 40,766,591            |
| Total general fixed assets *     | <u>\$ 8,553,471</u> | <u>\$ 77,062,415</u>                      | <u>\$ 49,077,238</u>                   | <u>\$ 134,693,124</u> |

\* Includes \$21,566,880 of museum artifacts as discussed in Note 1C.

**CITY OF HARRISBURG, PENNSYLVANIA**  
**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**  
**YEAR ENDED DECEMBER 31, 2001**

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| <b>Function and Activity</b>     | <b>Beginning<br/>of Year</b> | <b>Additions *</b>   | <b>Deletions</b>      | <b>End<br/>of Year</b> |
|----------------------------------|------------------------------|----------------------|-----------------------|------------------------|
| General government               | \$ 35,217,918                | \$ 6,724,794         | \$ (1,083,250)        | \$ 40,859,462          |
| Administration                   | 5,342,415                    | 1,691,588            | (1,906)               | 7,032,097              |
| Building and Housing Development | 9,413,592                    | 29,672               | (100)                 | 9,443,164              |
| Public safety                    |                              |                      |                       |                        |
| Police                           | 11,701,389                   | 437,903              | (123,484)             | 12,015,808             |
| Fire                             | 10,541,561                   | 1,073,805            | (521,520)             | 11,093,846             |
| Public works                     | 13,189,922                   | 292,234              | -                     | 13,482,156             |
| Parks and recreation             | 40,658,758                   | 107,833              | -                     | 40,766,591             |
| Total general fixed assets       | <u>\$ 126,065,555</u>        | <u>\$ 10,357,829</u> | <u>\$ (1,730,260)</u> | <u>\$ 134,693,124</u>  |

\* Includes current year additions of \$2,457,573 for museum artifacts as discussed in Note 1C.